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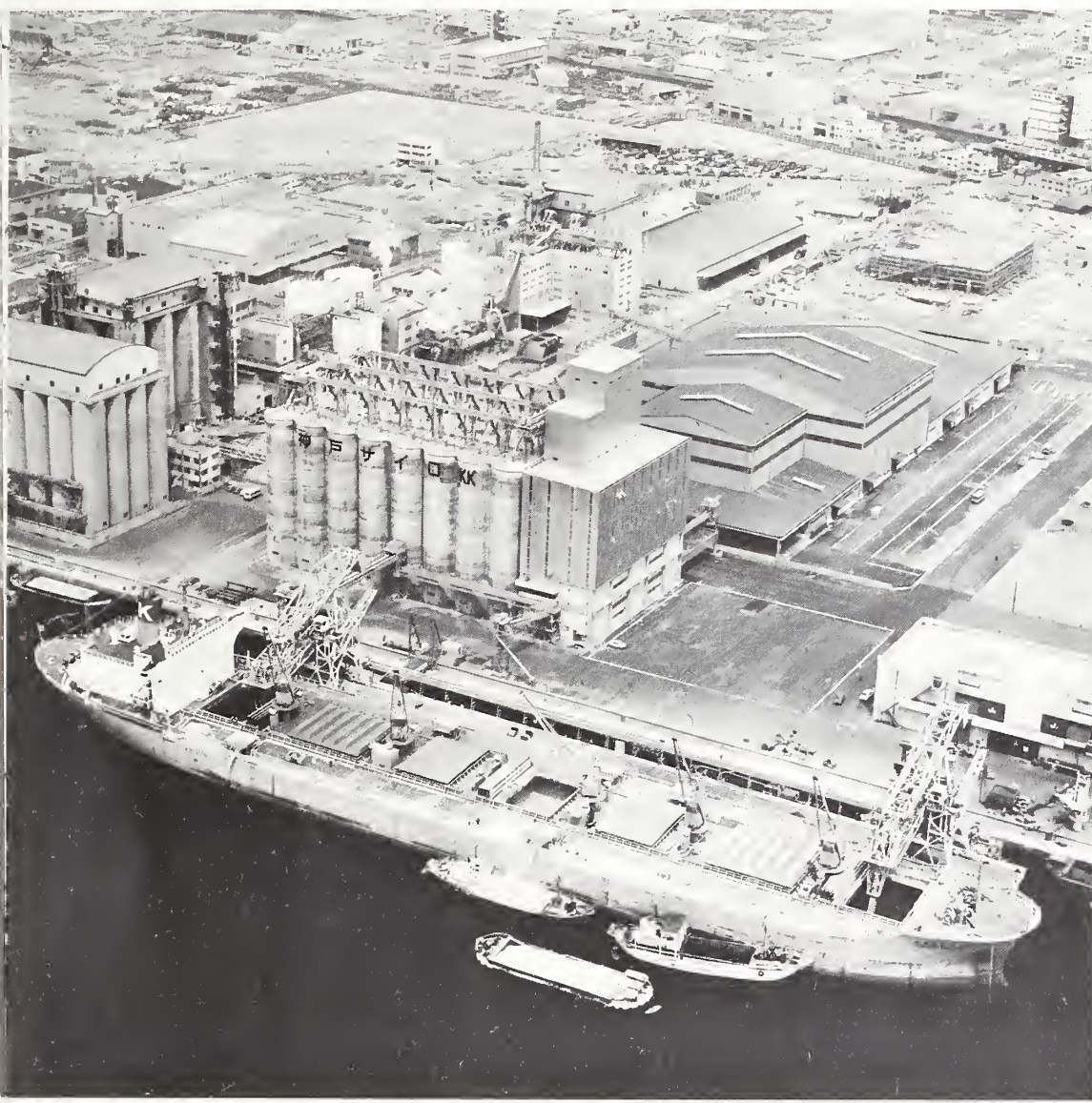
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# FOREIGN AGRICULTURE



August 31, 1970

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## Spotlight on Japan:

### **Billion-Dollar Market For U.S. Farm Exports**

Foreign  
Agricultural  
Service  
U.S. DEPARTMENT  
OF AGRICULTURE



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**This week's cover:**

A shipment of U.S. grain sorghum is unloaded at the recently completed Higashi Nada Combine in Kobe—Japan's second largest port and the discharge point for a large share of America's billion-dollar farm exports to Japan.

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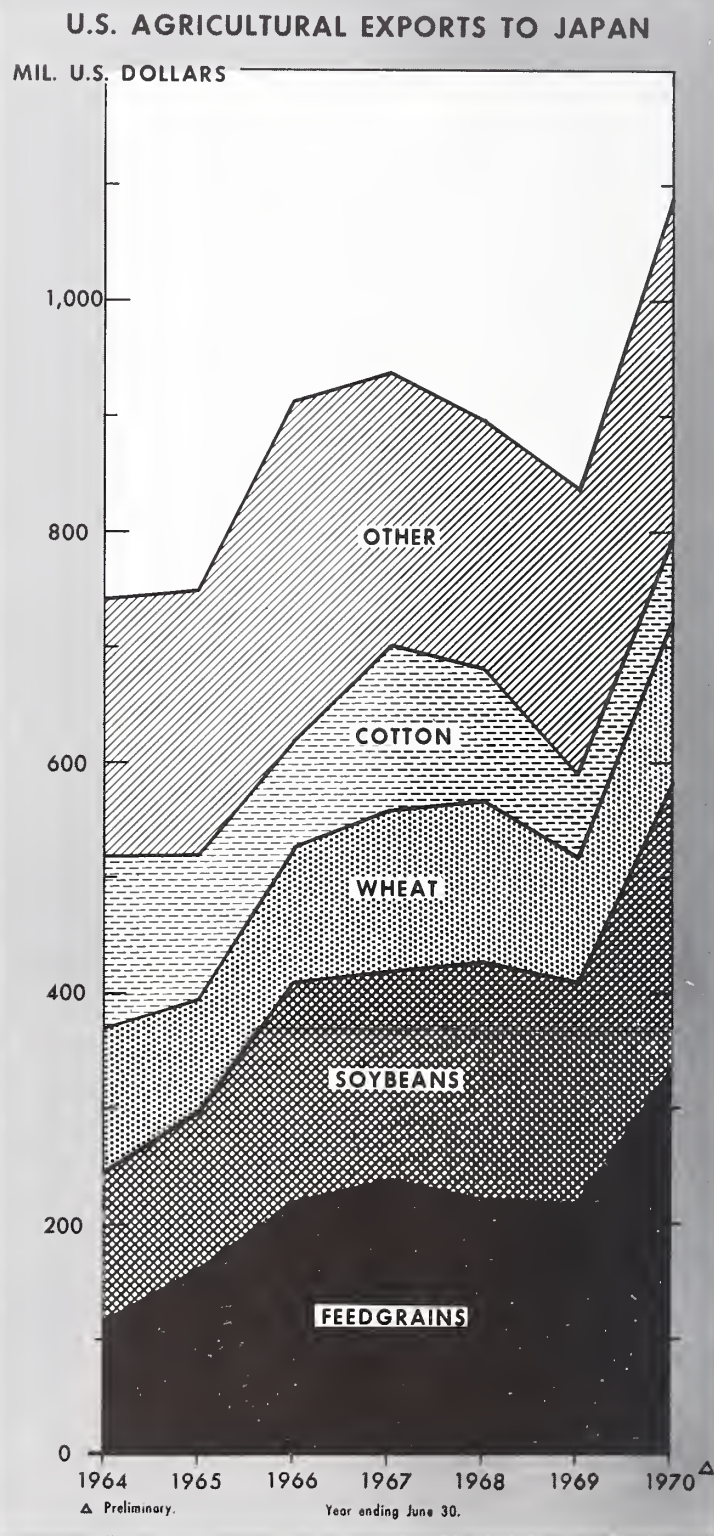
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# BILLION-DOLLAR CUSTOMER

## Japan Set Record for a Single Market

By DEWAIN H. RAHE and ISAAC E. LEMON  
*Foreign Development and Trade Division  
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U.S. agricultural exports to Japan reached an impressive \$1,089 million in fiscal 1970—the first time that such exports to a single country have surpassed the billion-dollar level. The previous high for any single U.S. market was \$939 million in fiscal 1967—also to Japan.

Our shipments of farm products to Japan have shown considerable fluctuation in the past 10 years. They trended upward in the first half of the decade; stabilized near \$900 million in the later years; dropped to \$839 million in 1969 (year of a U.S. dock strike and of sprout damage to U.S. wheat); and then leaped 30 percent in 1970—one of the steepest annual increases in our trade history with Japan.

Contributing most to Japan's rapid increase in demand for U.S. agricultural products has been the rapid development of its economy. Japan has had an uninterrupted economic upswing for nearly 5 years. During the Japanese fiscal year 1969 (April-March), gross national product in real terms advanced an astonishing 13.8 percent; and that record was nearly equaled by the 13.5-percent growth of the fiscal year recently ended. In pocketbook terms, the Japanese consumer's disposable income has grown from only \$318 per person in 1960 to \$1,035 in 1969.

### Beneficial trading relationship

The United States is the most important supplier of agricultural products to the booming Japanese market. In calendar 1969, it contributed about 30 percent of total Japanese agricultural imports; more than five-sixths of the soybeans; nearly three-fourths of the tobacco; nearly three-fifths of the feedgrains, fats and oils, and hides and skins; about half of the wheat; nearly two-fifths of the prepared animal feeds and meals; one-fourth of the meats and meat preparations; one-fifth of the fruits and nuts; and nearly one-sixth of the cotton imported by the Japanese.

The total U.S. share of the Japanese farm product market has remained relatively stable for the past decade. However, there have been some shifts in the commodity composition. For example, cotton now accounts for a smaller portion of U.S. exports to Japan, and our share of the cotton market in Japan has also declined. U.S. feedgrain exports, on the other hand, have increased rapidly, though their share of the Japanese market has not; and U.S. soybean exports have increased in both quantity and share.

Shipments from the United States account for 27 percent of Japan's total imports. Foodstuffs, raw materials, and mineral fuels make up two-thirds of these shipments, and manufactured goods the rest. The U.S. share of the total Japanese import market has declined slightly during the 1960's, with

imports from the United States growing less rapidly than total Japanese imports. Still, Japan remains the second largest buyer of American products, after Canada.

In its turn, the United States has become an increasingly important Japanese market. During the 1960's, the 18-percent average annual growth rate in Japan's exports to the United States exceeded the growth in its exports to other countries. Since this growth also exceeded the total rise in U.S. imports, Japan's share in the U.S. market increased to 14 percent in 1969 from less than 7 percent in 1960. Over 90 percent of our imports from Japan in 1969 were manufactured goods. Leading items were iron and steel mill products, machinery and appliances, passenger cars, textiles and clothing, electronic equipment, and musical instruments. Also important were photographic equipment, fish, and plywood. All in all, Japan is now second only to Canada as a foreign supplier to the United States.

### Problems of Japan's trade policy

This rise in Japan's exports to the United States has brought a major change in the trade balance between the two countries. In the early 1960's, the United States enjoyed an annual bilateral trade surplus of some \$500 million vis-a-vis Japan. By 1965, the surplus had changed into a deficit, which has been widening ever since—reaching \$1.2 billion in 1969. This trend has prompted the U.S. Government to ask Japan for faster liberalization of quotas and other trade restrictions both on the agricultural products and on the industrial products of the United States.

The foreign trade of Japan is strictly managed in a number of ways. In planning foreign trade policy and programs, the Japanese examine the country's trade and sources of imports, its balance of trade with its trading partners, potential markets for its industrial products, the relative prices of products, and continuous sources of supply for raw materials for its industry. The responsibility for export promotion, administration of import licenses, and regulation rests with the Ministry of International Trade and Industry. This agency works closely with private industry in carrying out programs and policies to achieve the foreign trade objectives of Japan. For trade in agricultural products, however, the Ministry of Agriculture and Forestry plays the most important role.

Since 1960, Japan has liberalized the trade in many agricultural products, but several items of importance to the United States are still subject to quotas. Numerous other trade barriers maintained by the Japanese Government include import license requirements, state trading, and differential commodity taxes.

Furthermore, the Japanese have bilateral trade agreements with over 50 countries. Important among these agreements are a number providing for the production of agricultural raw materials for export to Japan in exchange for Japanese industrial products. These diversification programs are car-



ried out by Japanese trading companies joining together to establish agencies that provide technical and material assistance for expanding production of such items as feedgrains and oilseeds—both in the developing nations for shipment to Japan, and in Japan itself. (See articles on pp. 6, 14, and 16.)

### U.S. feedgrain shipments boom

Japan imports nearly all of its feedgrains; and, because higher meat prices have encouraged feeding more meat animals and feeding them to heavier weights, its consumption of feedgrains for feed and industrial use has increased sharply to over 10 million tons in 1969-70. Most of the increase in feedgrain imports is for the production of mixed feeds, which increased by about one-sixth during the April-March fiscal year.

U.S. feedgrain exports to Japan in the U.S. fiscal year 1970 surged to an alltime record of 6.4 million tons—45 percent

above the 1969 level. In 1970, our corn exports alone were 4.5 million metric tons and accounted for over two-thirds of U.S. feedgrain shipments to Japan. Grain sorghums, totaling nearly 2 million metric tons, accounted for most of the remaining shipments.

Argentina, South Africa, and Thailand are strong competitors for the Japanese feedgrain market. Argentina's shipments are expected to be substantially larger in fiscal 1971 because of its 9.4-million-ton corn crop—2.5 million above that of the previous year—and its 3.9-million-ton crop of grain sorghums. South Africa, out of the market most of last year because of drought-reduced production, will also be exporting more corn—primarily white corn—to Japan this year. Thailand has an agreement with Japan to supply large quantities of feedgrains annually at a guaranteed price, and its exports of corn to Japan will probably total almost three quarters of a million tons this season.

Japan's total wheat imports increased to 4.3 million metric tons in 1969 from 2.7 million in 1960. With higher incomes, the Japanese have been buying a wider variety of foods, and wheat use has risen. Under present price relationships between wheat and rice in the Japanese market, the traditional rice diet continues to make way for the inclusion of wheat-based foods like noodles and bread.

### U.S. wheat exports up, rice down

Reflecting these trends, U.S. wheat exports to Japan advanced to 2.4 million tons in fiscal 1970, from 2.1 million in 1967. They had been down in 1969 because of the sprout-damage problem with U.S. wheat.

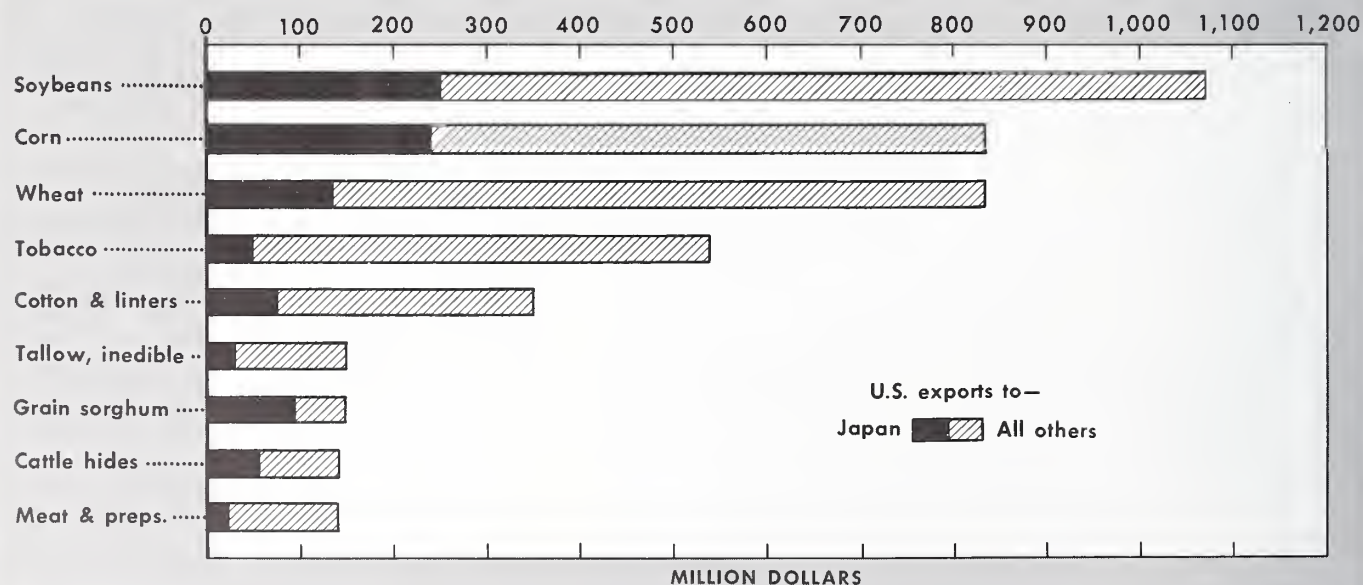
As a result of its high price support to rice producers, Japan is now more than self-sufficient in rice production. At present it has surplus rice stocks of over 6 million metric tons, which are expected to reach 7 million by November. Because of this problem, the Japanese Government has instituted a program aimed at reducing rice production by about 1.5

JAPAN'S FEEDGRAIN IMPORTS,<sup>1</sup>  
BY COUNTRY OF ORIGIN, CALENDAR YEARS 1965-69

Country of origin	1965	1966	1967	1968	1969
	1,000 metric tons	1,000 metric tons	1,000 metric tons	1,000 metric tons	1,000 metric tons
United States .....	3,858	4,505	3,966	4,441	5,384
Argentina .....	206	200	196	96	1,053
South Africa .....	32	3	750	1,600	669
Mexico .....	189	240	492	335	537
Thailand .....	596	824	736	652	478
France .....	—	—	( <sup>2</sup> )	319	439
Australia .....	176	72	214	160	266
Other .....	585	566	959	628	371
Total .....	5,642	6,410	7,313	8,231	9,197
	Per- cent	Per- cent	Per- cent	Per- cent	Per- cent
U.S. share .....	68	70	54	54	59

<sup>1</sup> Includes the following commodities: corn, grain sorghums, barley, oats, and rye. <sup>2</sup> Less than 500.

JAPAN'S SHARE IN TOTAL U.S. EXPORTS OF SELECTED FARM PRODUCTS, FY 1970



million tons through land diversion and government land purchase. The Government also has not substantially raised the support price for rice since 1968, although at \$384 per ton it is still about 3½ times higher than the support price in the United States.

The large rice surplus and the high support price encouraging further production are of concern to American agriculture, since Japanese exports of rice at concessional prices reduce U.S. exports of rice to other countries. U.S. exports of rice to Japan itself in fiscal 1970 were less than a half-million dollars—a far cry from the \$38.6 million of 1966.

#### Soybeans, tobacco move forward

With Japan's own production of soybeans totaling only 5 million bushels in 1969—down sharply from 15 million in 1960—imports of soybeans are increasingly necessary. About one-fifth of these imports are used in food products; the remainder, for oil and meal. The rise in production of poultry, hogs, and dairy products has sharply increased Japan's demand for protein supplements. Further advances are expected with rising consumer incomes over the next few years.

U.S. exports of soybeans to Japan jumped to 95 million bushels in fiscal 1970, from 70 million in 1969 and only 41 million in 1960. Imports from the United States supplied about 85 percent of Japan's soybean consumption during the past season. Imports from Mainland China, the next most important source, were 14 million bushels in 1969.

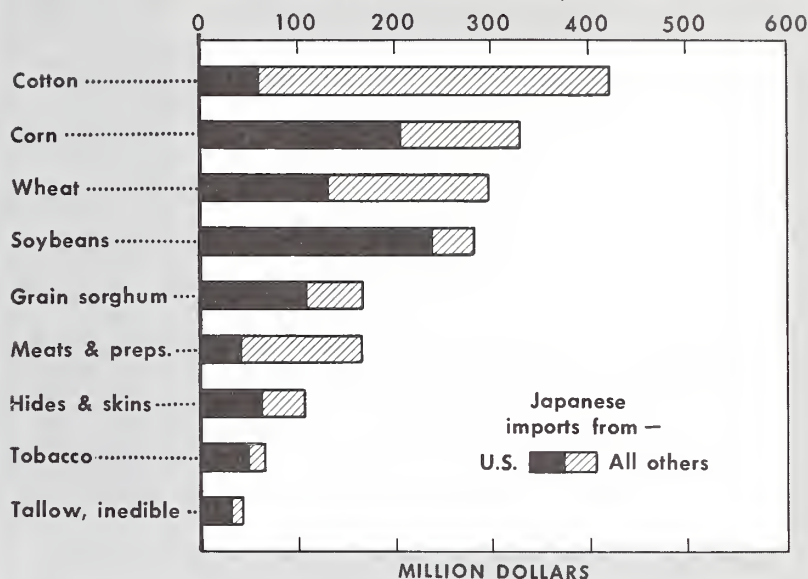
For U.S. tobacco, Japan has been a growing market. In fiscal 1970, it purchased \$50 million worth of U.S. leaf, compared with \$36 million a year earlier. The especially high quality of the U.S. flue-cured crop increased Japanese demand last year. In 1960, the United States had exported only \$12.2 million of tobacco to Japan. While some of the increased demand for U.S. tobacco has occurred because of increased tobacco use in Japan, a substantial part of it has come from a gain in the share of American tobacco used in Japanese cigarettes—about 10 percent now, compared with 4 percent at the beginning of the decade.

#### Prospects for other U.S. commodities

For U.S. cotton, Japan continues to be the top commercial market; in fiscal 1970, it took more than 648,000 bales, primarily short staple. However, the United States now supplies only about one-fifth of the cotton imported by Japan, as against over a third in the early 1960's; and several developing countries are competing vigorously for the Japanese cotton market. Further, with the substantial rise in production of manmade fibers, demand for cotton has been falling in Japan, as elsewhere. In fact, cotton accounted for less than one-third of the fiber used in Japanese textiles in 1969, compared with about one-half in 1960.

The United States supplied Japan with less than 30 million pounds of pork in fiscal 1970, against 54 million the year before. The decline reflects an increase in Japanese production and the Government's decision not to issue licenses for

**U.S. SHARE IN TOTAL JAPANESE IMPORTS OF SELECTED FARM PRODUCTS, CY 1969**



the entire 55-million-pound quota granted for pork imports in September 1969. Meat products are still subject to licensing requirements administered by the Livestock Improvement Association. Japan imports pork only when domestic production fails to meet demand or when prices are so high that pork imports are necessary to help stabilize them. If pork prices in Japan do not come down, the Japanese may have to grant licenses for the 8.8 million pounds still remaining of the quota granted in September, and perhaps also issue a new quota for the rest of their April-March fiscal year.

Japan is the top foreign market for U.S. hides and skins. In fiscal 1970, our cattle hide exports to the Japanese totaled nearly \$57 million—sharply up from the previous year—and represented over two-fifths of U.S. sales of this product. U.S. cattle hide prices rose by 12 percent in 1969-70, contributing to the higher value. The Japanese use a large share of these hides and skins to manufacture leather products for export. However, increased Japanese prosperity has stimulated domestic consumption of leather products.

U.S. exports of fruits and preparations—principally lemons and raisins—advanced 38 percent to \$32 million in 1969-70. Exports of lemons have risen continuously since the Japanese liberalized their imports of this fruit in May 1964. Our exports of grapefruit and oranges, however, are still limited by quota restrictions.

#### Outlook mostly bright

With continued advances in the Japanese economy, future demands for a larger quantity and a greater variety of foods and other agricultural items are likely to increase sharply. Most of the increased demand will probably be supplied by imports, and the United States should share in this expanding market. However, the Japanese import diversification program, increased competition from other suppliers, and commercial policy problems may limit the future growth of this top market for U.S. agricultural commodities.



*Cattle at a Japanese breeding farm graze on the rugged pastures which are common to the mountainous regions of northern Japan.*



## **New Policies Seek To Revitalize Structure of Japan's Agriculture**

By THEODORE R. FREEMAN, JR.  
*Assistant U.S. Agricultural Attaché, Tokyo*

Japan's agricultural structure, long burdened by the country's limited farm sizes and restrictive land leasing policy, is now undergoing its first major reform in 15 years. This reform was initiated when the Agricultural Land Law was finally amended during the 1970 Session of the Japanese Diet, after proposed amendments for similar reform had been rejected by the Diet twice before.

The most significant features of the Land Law amendment are the removal of the ceiling on farm size—placed at 29.7 acres in the rugged northern island of Hokkaido and 7.4 acres in the rest of Japan—and the easing of leasing restrictions. To make the new amendments more viable, the Agricultural Cooperative Law was also amended and a Farmer's Annuity Law was initiated. These are expected to facilitate consolidation of farm units by allowing cooperatives to own and operate farms, encouraging retirement of farmers, and providing some financing for land purchases. The Japanese Government is looking toward the consolidation of fragmented land holdings as a means for enabling farmers to take advantage of modern machinery and technology and thus increase output per person.

### **Background of varied land programs**

Japan's four main islands and hundreds of smaller ones form a vast expanse of rugged volcanic mountains and heavy forest, leaving only one-fifth of the total land area suitable for agriculture. Thus, Japan's farms have never been big, although large-scale farming has been a major aim of Japanese agricultural policy.

The first land reform program, at the time of the Meiji restoration of 1868, ended the feudal era but by no means ended discussion of how Japan's arable land should best be

used. Within 20 years there was considerable public demand for land consolidation and large-scale farming. However, large farming operations never materialized, and the Japanese Government consequently focused its attention on maintenance of small family farms.

By 1906, farms averaged only 2.5 acres per family—making them relatively small even before the sweeping land reform program declared by the Supreme Command of Allied Powers following World War II. Under that program, cultivated land was purchased from 2,062,000 landlords and resold to 4,478,000 tenants at an average of about 1 acre per tenant. The Agricultural Land Law which was passed at that time placed limitations on both the minimum and maximum amount of cultivated land a farmer could own; and today Japanese farms average only 2.7 acres.

The shift of land ownership was accompanied by a gradual decline in the absolute number as well as percentage of full-time farmers. About 27 percent of Japan's population live on farms, and about 18.5 percent of the labor force is engaged in farming. Presently, only one-third of all Japanese farmers are considered full-time, compared with about one-half in the late 1940's. Farming has become somewhat of a sideline occupation, with nearly one-half of the farmers earning more than one-half of their income from jobs off the farm.

The shift to nonfarm employment has been made possible by rapid industrial growth, but has also no doubt been influenced by the small size of Japan's farms. Small farm size dictates that hand labor be used extensively, making production costs soar. For example, labor accounts for 54.5 percent of the cost of rice production. In most other respects, however, Japan's agriculture has been relatively efficient. Crop yields compare favorably with the rest of the world and, although agriculture is still dominated by rice, significant quantities of fruits, vegetables, and livestock products are produced. In fact, surplus production of rice and dairy



products has been achieved already.

Cultivated land, comprised chiefly of paddy and upland fields, accounts for roughly 16 percent (15 million acres) of the total land area. Pastures, permanent meadows, and orchards are scarce and account for only a small portion of the total farm area. Accordingly, dairy herds average only five cows and beef herds average slightly less than two head.

Although remarkable growth in recent years has resulted in hog herds of twice the size of 5 years ago, herds still average only 11.7 head. The fastest growth rate has been in the broiler industry, with average flocks totaling 2,416 birds in 1969 compared to 627 birds in 1964. Laying flocks increased nearly three-fold during those 5 years, and today Japan produces enough eggs to meet consumer demands. The increase in average herd and flock sizes has resulted more from the smaller number of producers than from the actual increase in livestock and poultry numbers.

Japan's total agricultural output amounted to \$11.6 billion in 1969 and accounted for 10 percent of the total domestic national income.

### Steps toward change

The new amendments to the Agricultural Land Law should help remove restraints which prevented the spread of large-scale farming. Not only has the ceiling on farm size been removed, but also a new minimum farm size (about 1 acre) has been set.

The new amendment also removed the requirement that at least one-half of the farm labor be supplied by the owner family. Formerly a farm owner could lease up to 2.5 acres of land only if the labor requirements on the leased land did not comprise more than one-half of the total labor required for all land under his ownership. Rental charges which had formerly been set at a relatively low rate by the Government

can now be negotiated between the landlord and tenant. However, abnormally high rates will be discouraged by the Japanese Government, and current rates are expected to prevail for several years.

The amendment to the Agricultural Cooperative Law paves the way for cooperatives to manage agricultural farms; purchase, sell, or rent farmland; or convert farmland to non-farm use. Agricultural cooperatives can operate farms if one-half of the members are contributors of land or if they are themselves cultivators. There are no controls with respect to farm size, interest payments, or labor under cooperative arrangements. Nonprofit organizations can also buy and sell land in order to foster large-scale farming.

The Farmer's Annuity Law provides annuities for retired farmers; and to speed up modernization, the Farmer's Annuity Fund is authorized to purchase and resell farmland. The fund may purchase land from retiring farmers and sell it to members who want to increase the size of their farm units. The fund is also authorized to lend capital to individuals for the purchase of land from retiring farmers.

Even with these new encouragements, land consolidation will not be easy in Japan. Locating individual farm owners in close proximity who are willing to sell or lease their land will be the first problem, and the high price of cultivated land may also prove to be a major obstacle. Today, land accounts for one-fourth of the farmer's net assets, and the average cost of ordinary paddy fields is \$3,367 per acre.

Amending the old Agricultural Land Law has no doubt paved the way for eventual mechanization to a significant degree on Japanese farms, but not much immediate impact can be expected in farm output. Land holdings are so fragmented at present that it will undoubtedly take a long time to fulfill the dream of large agricultural machinery rolling across Japanese rice fields.

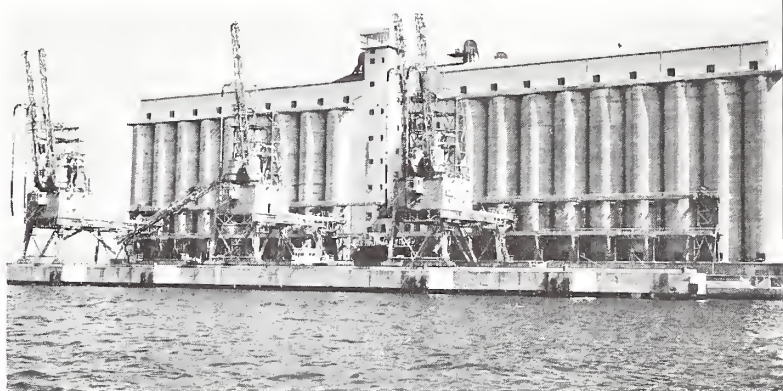
## Japan Removes More Trade Restrictions

By CAROLE J. PERG  
*Operations Analysis Division  
Foreign Agricultural Service*

Actions of the past years taken by the Japanese Government to reduce trade barriers could increase U.S. exports of a number of significant farm commodities.

The major trade liberalization includes a reduction of the soybean tariff, effective May 1, 1970, as well as the removal by late 1971 of quotas on grapefruit, lemon juice, soybean meal, and several other items. In addition, the Japanese have increased quotas for certain pulses, dried peas, some tomato products, oranges, grapefruit (until removed), and fruit juices; and a special quota has been established for high-quality beef. The Japanese Government is also considering the possibility of implementing some future tariff cuts ahead of the planned schedule.

During the post-World War II period Japan, like many other countries, was allowed to maintain controls on imports under the rules of General Agreement on Tariffs and Trade (GATT) in order to protect its balance-of-payments position and international monetary reserves. In early 1963, however, the International Monetary Fund concluded that Japan's



*Silos at the port of Kobe store Japanese grain imports.*

balance of payments had improved to the point where these import restrictions were no longer needed. Following this decision, Japan's restrictions could no longer be justified under the GATT regulations.

During 1963 and 1964 Japan made rapid progress in

reducing its list of residual quota restrictions—from about 260 to 125 items (based on 4-digit Brussels Tariff Nomenclature categories). Major agricultural products affected by these liberalization actions included corn, soybeans, tallow, hides and skins, grain sorghum, and lemons. Japanese imports of these products from the United States increased between 1963 and 1969 from \$64.6 million to \$175.0 million for corn, from \$143.7 million to \$238.7 million for soybeans, from \$21.0 million to \$31.9 million for tallow, from \$35.4 million to \$62.3 million for hides and skins, from \$41.8 million to \$108.5 million for sorghum, and from \$1.6 million to a startling \$19.0 million for lemons.

Despite numerous meetings between U.S. and Japanese representatives on the subject of trade barriers after 1964, the Japanese Government claimed increasing difficulty in eliminating the remaining restrictions, many of which it said were maintained in retaliation for European quotas affecting Japanese products. In 1968, through direct consultations with the Japanese Government, the U.S. Government intensified its efforts to obtain the removal of those quantitative restrictions that were seriously hindering U.S. exports to Japan.

As a result of these consultations, in October of last year the Japanese Government undertook the first significant liberalization since 1964 by announcing its intention to cut in half the number of restricted items (then totaling 120, over half of which were agricultural) by the end of 1971. Over half of the 60 items scheduled for liberalization at this time are farm products, but only three—soybean meal, grapefruit, and lemon juice—are considered to be of substantial trade interest to the United States.

#### **Implications for U.S. exports**

The export value of the U.S. soybeans and soybean products shipped to Japan—primarily beans for crushing—has averaged between \$200 million and \$250 million recently. The removal of the quota on soybean meal (scheduled for late 1971) should lower the price in Japan, increase consumption, and create a significant increase in U.S. exports.

In addition to pressing for the removal of Japan's quota restrictions during the consultations begun in 1968, the United States sought the elimination of the soybean duty. In partial response to that request, the Japanese agreed to implement the final rate of their Kennedy

Round (KR) concession. This action, which became effective May 1, 1970, has reduced the duty from \$9.33 per metric ton to \$6.67, or from 9 to 6 percent ad valorem equivalent.

The removal of Japan's quota on grapefruit is scheduled for late 1971, but the Japanese Government may impose a seasonal increase in the current 20-percent grapefruit duty at that time. The rate and period of the proposed seasonal tariff are not yet known. Provided the new seasonal rates are not overly restrictive, a good possibility exists that a market for at least \$5 million worth of U.S. grapefruit (compared with \$373,000 worth in 1969) can be developed in Japan within 3 to 5 years after the quota is removed. Considering the tremendous growth of U.S. lemon exports after Japan removed its lemon quota (Japanese lemon import values soared from \$1.4 million in 1962 to \$19 million in 1969), the export potential for grapefruit may be even greater than anticipated.

The Japanese Government has established a substantial quota for lemon juice pending its liberalization, which is scheduled for late 1970. The lemon juice currently sold in Japan is a relatively high-cost item. It is made from imported fresh lemons, since the commercial production of lemons in Japan is insignificant. The removal of the quota will provide a lower cost product for the Japanese consumer and a good market for the U.S. exporter of lemon juice.

#### **Other liberalization steps**

Some other items on the liberalization list announced in October are also of interest to U.S. exporters. These include *vitis vinifera* grapes; dried dates (quota removed Apr. 1, 1970); vegetable oils, including soybean, safflower, corn, and cottonseed oils; cake mixes; pasta products, including macaroni and spaghetti; puffed rice, corn flakes, and other prepared cereals; sausages and similar products; and certain nonalcoholic bases for beverages. The trade liberalization of three items on the October list—grape must, wines, and vermouths—became effective February 14, 1970. While fresh apples are also on the list, a Japanese quarantine prohibition on imports from areas affected by the codling moth will continue to keep U.S. apples out of the Japanese market.

The Japanese Government has also agreed to increase quotas for several other items which are significant to U.S. exporters. The increases apply to dried

peas and kidney-type beans (including pinto, navy, great northern, and lima beans); fruit juices; tomato juice, ketchup, and sauce; small-kernel peanuts; and sausages and other processed meats and meat products. The combined quota for fresh oranges and grapefruit has also been increased.

The Japanese Government also agreed to a U.S. request for a special quota for high-quality beef. Under this quota international hotels in Japan will have the opportunity to buy up to 500 tons of prime and choice beef until the end of December 1970.<sup>1</sup>

#### **Some progress made**

While the pace has been slow—particularly in light of the overall U.S. trade deficit with Japan of \$1.4 billion in 1969—the Japanese Government is making some progress in relaxing its restrictions on agricultural products. Currently, the Japanese Government is studying the possibility of liberalizing ahead of schedule the items on its liberalization list. This means that all the items on the list would be liberalized by at least October instead of December 1971.

The Japanese Government will also introduce legislation in the next Diet session which will implement KR tariff cuts as early as January 1, 1971, or at the latest April 1, 1971, instead of January 1, 1972, as now scheduled. Some important agricultural items that would be affected by the legislation, and their final KR rates, are: retail packaged raisins, 10 percent; sweet almonds, 10 percent; safflower seeds, 2.5 percent; certain rendered pig fat, free; beef tallow, 2.5 percent; and certain canned fruits including peaches, pears, cherries, apricots, and mixed fruits, 20 or 25 percent.

Despite this progress, several products of importance to U.S. exporters continue to be subject to Japanese import restrictions. These include beef, pork, and certain processed meat items; oranges; canned pineapple; certain tomato products; certain fresh and roasted peanuts; and instant potatoes. U.S. Government spokesmen have announced their intention to continue pressing for the liberalization of these and certain other restricted agricultural products of interest to the United States, in order to help increase agricultural exports and thus contribute to an improvement in the U.S. balance of payments.

<sup>1</sup> See *Foreign Agriculture*, Apr. 6, p. 19, and Apr. 27, p. 14.



By ELMER W. HALLOWELL  
U.S. Agricultural Attaché, Tokyo

The market development program carried on in cooperation with the U.S. Department of Agriculture by more than 30 private American agricultural associations during the last 15 years deserves much of the credit for setting the remarkable \$1.1-billion record being commemorated by this issue of *Foreign Agriculture*. Of the hundreds of successful projects carried on, this article can mention only a few; but the long list of the associations active in Japan during that period gives some idea of the overall scope of the program.

Space does not permit listing the Japanese "third party" cooperators, which have numbered over 100 national business and professional organizations and countless others of a regional, prefectural, and local nature. The financial contributions of these Japanese co-operators have approximated those of the U.S. associations and the U.S. Government combined, but their guidance has been even more valuable. Their knowledge of Japanese customs and practices has saved their American counterparts from many unseen pitfalls, and their ability to coalesce the support of entire industries behind particular programs has made the difference between success and failure.

Professional groups on both sides of the Pacific also have played a vital role. Their technical guidance has been especially helpful in aiding the introduction of new products and processing techniques. Japanese nutritionists—both gov-

ernmental and private—have had a particularly important part in the program. Their drive to increase Japanese consumption of animal proteins, of wheat, and of fats and oils and thus to bring about greater diversification of the traditionally rice-based Japanese diet has had an incalculable effect on sales of a wide variety of American primary and processed products to Japan.

#### Soybean promotion

The American Soybean Association was one of the first U.S. agricultural groups to use the opportunity given by the passage of Public Law 480—the Agricultural Trade Development and Assistance Act of 1954—for promoting exports of its products to Japan. After a number of preliminary meetings, the Japanese-American Soybean Institute, a "joint venture" of the ASA and Japanese soybean-user organizations, was formally established on April 18, 1956. In the initial stages, a major effort was made to remove restrictions on imports of soybeans. This "liberalization" effort was capped with success. In working with the trade, the high quality of American soybeans was stressed and it was demonstrated that they are suitable for traditional Japanese foods such as *miso* (a fermented soybean-meal soup), *shoyu* (soy sauce), and *tofu* (a soy-milk-based cheeselike product). The dependability of the United States as a supplier was also emphasized.

In recent years, emphasis has been shifted to the promotion of soybean oil and oil-based margarine through consumer-aimed programs sponsored by ASA, the Japanese Oilseed Processors

#### U.S. Agricultural Associations Which Have Carried on Trade Promotion Activities in Japan During 1955-70

American Angus Association  
American Hereford Association  
American Jersey Cattle Club  
American Plywood Association  
American Polled Hereford Association  
American Seed Trade Association  
American Soybean Association  
California-Arizona Citrus League  
California Cling Peach Advisory Board  
California Date Administration  
Committee  
California Prune Advisory Board  
California Raisin Advisory Board  
Cotton Council International  
Cranberry Institute  
Dairy Society International

Dried Fruit Association of California  
EMBA Mink Breeders Association  
Florida Citrus Commission  
Hampshire Swine Registry  
Holstein-Friesian Association  
Institute of American Poultry Industries  
National Peanut Council  
National Renderers Association  
Northwest Horticultural Council  
Santa Gertrudis Breeders International  
Tobacco Associates, Inc.  
USA Dry Pea and Lentil Council, Inc.  
U.S. Feed Grains Council  
Walnut Control Board  
Western Meat Packers Association  
Wheat Associates, U.S.A.

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米国市場促進  
日本に於ける  
米国市場促進

Association, and the Japan Margarine, Shortening and Lard Industry Association. One of the most successful oil promotion programs has featured TV demonstrations of the preparation of various soy-oil-based recipes by a leading TV chef and cooking school owner, Mr. Gyosai Tamura, who has a tremendous following throughout Japan. As a result, more and more Japanese housewives, restaurants, and hotels are now serving such items as salad dressed with soy-based dressings and pastries and vegetables cooked with soy-based margarine.

Traditional soybean users have not been neglected, however, and markets for their products have continued to expand. In addition, the value of soybean meal as a feed supplement has been demonstrated through feeding trials, seminars, the publication of technical papers, and personal contacts with feed manufacturers and end users.

With a powerful assist from these programs, Japan has developed into the American soybean farmer's most important overseas market. Exports totaled over 95 million bushels in fiscal year 1969-70, compared with only 21 million bushels in 1955. Prospects are for considerably greater shipments in the years to come—perhaps as many as 135 million bushels by 1975—assuming that adequate supplies continue to be available at competitive prices and that a strong promotional program is continued.

#### **Wheat promotion**

The wheat market development program, now administered by Wheat Associates, U.S.A., in cooperation with the Foreign Agricultural Service, Western Wheat Associates, U.S.A., Inc., and Great Plains Wheat, Inc., was initiated in 1956 by the Oregon Wheat Growers League. At that time, Oregon was the only State that had a wheat commission and funds for market development work overseas. Japan was still getting some wheat under Titles I and III of P.L. 480, but the need to develop commercial acceptance of U.S. wheat during the P.L. 480 phasing-out period was recognized by Oregon producers and USDA. It was also clear that other suppliers would be using every means at their disposal to gain an increased share of the growing Japanese cash market. In the early years of the program, competitive suppliers—principally Australia and Canada—did, in fact, substantially increase their sales to Japan, and U.S. sales, which were largely made up of Western White wheat, declined.

In the early 1960's, Wheat Associates, working closely with the U.S. Department of Agriculture and the U.S. grain trade, convinced the Food Agency of the Japanese Ministry of Agriculture and Forestry (which imports Japan's wheat) and the Japanese flour millers and other wheat-using industries that U.S. winter wheat could be used profitably. It was also emphasized that the United States would be a stable and competitive source of supply. (The competitive situation was aided by a reduction in railroad freight rates from the producing areas to the West Coast.) As sales of winter wheat expanded, WA shifted its attention to the introduction of Hard Red Spring wheat and durum. As a result, Japan now imports a wide variety of U.S. wheats in substantial quantities.

Many different techniques have been used to promote wheat foods in Japan—foods which were not commonly used in the prewar period, when rice accounted for well over half of the total food consumption. In the beginning, the school lunch program proved to be a valuable medium for the education of young Japanese as well as their teachers and families to the value of wheat foods in the diet. Traveling kitchen buses trained housewives to prepare wheat foods for their families, and bakers' training courses did much to raise the quality of the products of the baking industry. The scale of Wheat Associates' technical assistance effort was broadened considerably as time went on, with a view to familiarizing the many wheat-using industries with the adaptability of the different U.S. wheat classes and types. More recently, efforts have been concentrated on helping to further improve product quality and to promote consumer acceptance of "Western" type products such as sandwiches, doughnuts, American-style pancakes, waffles, macaroni and spaghetti, and "high-ratio" cakes (with a higher ratio of sugar to flour than the conventional sponge cake). These products are finding increased favor among Japanese consumers—particularly the younger ones, who are anxious to try something new and different.

Over the years, these promotional activities have been strongly supported by the All Japan Food Life Improvement Association and its more than 50 constituent bodies as well as by hundreds of local associations and individual companies. This support has helped greatly to increase per capita consumption of wheat flour in Japan from 55 pounds in 1955 to

72 pounds last year; and U.S. cash wheat exports to Japan have risen from less than 27 million bushels to 87.5 million bushels during the same period.

#### **Feedgrain promotion**

Demand for meat, milk, and eggs has more than quadrupled in Japan in the last 15 years as Japanese consumers have become increasingly able to satisfy their appetites for these relatively expensive foods. With imports for most meats and dairy products tightly controlled, this demand has led to a sharp increase in domestic production of poultry and livestock.

The U.S. Feed Grains Council, working out of its Tokyo office, has engaged in a multitude of different activities aimed at making certain that this production would be based on the use of American feedgrains. The success of its efforts is indicated by the fact that in the year ended last June 30 our feed-grain exports to Japan reached the staggering total of 177 million bushels of corn, nearly 77 million bushels of grain sorghums, and about 370,000 tons of dehydrated and sun-dried alfalfa pellets. Note, too, that the industry also consumed approximately 1.2 million tons of soybean meal derived from U.S. soybeans and about 15,000 tons of U.S. tallow, a product just now coming into general use for feed as a result of the efforts of the Tokyo office of the National Renderers Association.

Most of the Council's promotions have been carried out in cooperation with the Japan Feed Manufacturers' Association, which numbers among its members leading poultry and livestock marketing organizations as well as feed manufacturers.

Early emphasis was on technical assistance and on improving the operating efficiency of the fledgling mixed-feed industry, which produced only 509,000 tons of product in 1955 as compared with 12.7 million tons in 1969. One of the outstanding successes of the program was the introduction of grain sorghum, virtually unknown to the Japanese livestock industry prior to 1960. A team of government and industry leaders invited to the United States that year was persuaded of its value, which was confirmed by additional visits by technical experts. U.S. sorghum exports to Japan have averaged about 2 million tons annually during recent years.

Mill management seminars and visits by U.S. animal nutrition experts still play



a part in the Council's program, but the threat of overproduction of livestock products has encouraged more attention to end-product promotion at the customer level. Organizations of Japanese nutritionists and housewives have eagerly cooperated because of their interest in improving the Japanese diet.

Consumption of livestock products is expected to continue increasing sharply as incomes continue to rise. The potential is evident from the fact that per capita consumption of meat, including poultry meat, in Japan last year was about 27 pounds as compared with 228 pounds in the United States.

### Cooperation among groups

The different commodity associations work together as much as possible for the mutual benefit of their respective products. For instance, ASA and WA have joined forces in leading a Japanese firm to promote doughnuts made of American-based wheat flour cooked in soybean oil. Similarly, a "Better Breakfast" campaign initiated by the U.S. Feed Grains Council and carried out in cooperation with the Japan Dietetic Association featured not only bacon and eggs and milk (U.S. feedgrains go into these) but also margarine-topped toast (enter U.S. soybeans and wheat) and an orange (hopefully, from the United States; but small quotas limit sales at present). Posters showing all of these foods and pointing out their nutritional benefits have been placed in thousands of schools and nutrition centers all over Japan. The Japanese Ministries of Education and of Health and Welfare, both of which have expressed concern that many Japanese eat little or no breakfast, have supported this program wholeheartedly.

During the last few years, American Food Weeks have been sponsored by FAS and the office of the Agricultural Attaché in principal cities throughout Japan. These have brought many of the commodity cooperators together for joint consumer promotions in department stores and supermarkets. The demonstrations and samplings carried on by the cooperators at these events have stimulated greatly increased store traffic and sales of hundreds of fresh, frozen, and packaged American foods as well as of the cooperators' products. Plans are being made to expand this activity, especially in supermarket chains, which are expected to soon dominate food retailing in Japan.

American food exhibits at the Tokyo

*Top to bottom, promotion personalities: comedian Enraku Sanyuti tastes raisins; cooking expert Gyosai Tamura prepares fish for frying in soybean oil; and Princess Soya.*

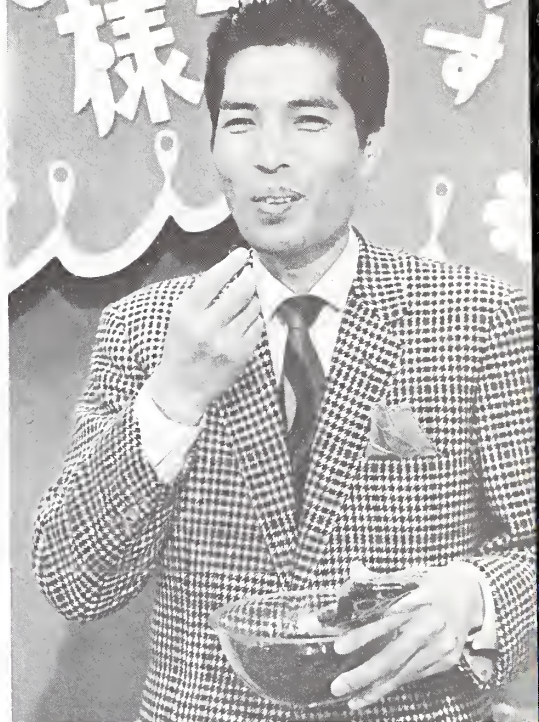
Trade Center and at international and local trade fairs also have led to joint promotions by the various commodity groups. As many as 50 cooperators and individual American food companies have participated in single shows of this type. The American Festival held in Tokyo in April 1968 saw 17 cooperators, 12 States, and 80 private U.S. firms joined together in a mammoth exhibit of thousands of American agricultural products in Tokyo's largest exhibition building.

Results of these activities are difficult to measure, but the line-up of Japanese groups wanting to undertake joint activities in the future gives a strong hint as to their value.

Expectations are that U.S. agricultural exports to Japan will continue to grow and perhaps reach a total of \$1.4 billion before the end of the decade. Prospects are particularly good for soybeans, feedgrains, hides and skins, tallow, tobacco, pulses, fruits, raisins, and almonds. Elimination of quotas on most processed foods in the next few years and the easing of restrictions on investment in food processing and distribution could give American companies an opportunity to increase sales of many products.

Japan can be expected, however, to make a strong effort to be as self-sufficient as possible in meeting its agricultural needs—it now is about 75 percent self-sufficient. It also will expand governmental and private programs to increase agricultural production in developing countries in order to strengthen their ability to buy manufactured goods from Japan and to decrease Japan's dependence on supplies from the United States. That dependence makes Japan extremely vulnerable to fluctuations in U.S. supplies.

Our competitors undoubtedly will continue to expand their promotional programs in Japan, which they see as having the greatest cash sales potential in the entire world. But if American agricultural interests continue to increase their support of the cooperative market promotion program, and if prices and quality of products remain competitive, there would seem to be excellent prospects of our continuing to maintain our hold on 30 percent of the growing Japanese market in the future.





Japan is a highly industrialized nation, exporting manufactures throughout the world and importing much of its food from surplus food nations. Among its major imports are soybeans, grains, various meats, fruit, and natural materials required for its factories.

The country, an island chain of nearly 143,000 square miles divided among more than 1,000 islands, stretches from a point only 125 miles south of Korea, north and east into the Pacific Ocean. Its population, estimated at 103 million, and increasing at the rate of 1 percent per annum, puts the land under tremendous pressure. A simple calculation demonstrates that an area somewhat smaller than the State of California has a population density of approximately 708 persons per square mile. This contrasts with 197.8 persons per square mile for China, 415.3 persons for India, and 55.7 for the United States. Greater Tokyo alone has a population of more than 11 million persons within its metropolitan area.

#### Farm area and labor

Of Japan's total land area, only 16 percent is devoted to agriculture. Some 17.1 million acres of cropland were harvested in 1968.

Of Japan's farm acreage, well over 90 percent is devoted to food crops. Feed-grains and forage crops for livestock and agricultural raw materials for industry occupy a minor position. Rice alone occupies 40 percent of the total planted area in the country.

Out of a total population of some 103 million, the rural population for 1968 was 27.2 million—a drop of some 3 percent from the previous year. The farm full-time labor force has declined to about 10.7 million and is predicted to decrease to about 5.0 million by 1985.

MAJOR JAPANESE CROPS, 1969

Crop	Area	Production
	1,000 acres	1,000 metric tons
Rice .....	8,090	<sup>1</sup> 14,003
Wheat .....	709	758
Corn .....	37	40
Barley .....	699	812
Oats .....	84	67
Total grain .....	9,619	15,680
Soybeans .....	—	136
Pulses .....	176	217
Potatoes .....	<sup>2</sup> 167	<sup>2</sup> 3,404
Citrus (all) .....	173	2,734

<sup>1</sup> Brown basis. <sup>2</sup> Excluding autumn potatoes.

Half of the Japanese farm labor force is made up of women.

In 1968, 5.4 million farms were on record. The average farm is about 2.7 acres, or a little over 1 hectare, in size.

Efforts are being made to increase the size of farms to take advantage of new agricultural machines and new farming techniques.

#### Emphasis on bigger farms

The recent amendment to the Agricultural Land Law should help consolidate farms by permitting owners to rent their land under much less restrictive conditions than at present.

A lack of suitable farming land is just one of the country's problems. A booming industrial economy is drawing farm labor into the factories, farms are difficult to rent, and farming is losing its appeal for the young. The result of these is a national self-sufficiency in agricultural output of only 75 percent that is dropping at the rate of 1 percent every year.

The Gross National Product for calendar year 1969 is estimated at \$167.4 billion; this is 18 percent above 1968. Prominent among GNP factors is the income from shipbuilding, electronic products, motor vehicles, steel, cement, watches and machine tools; agricultural income added just 7 percent to 1968-69 GNP totals. Per capita income now averages \$1,400 per annum.

Farm households now earn about 53 percent of their total income from off-farm jobs. Total income per farm household amounted to \$3,100 in 1968, which was slightly higher than income reported for urban households. Per capita income for the country as a whole was estimated at \$1,383 in 1968.

Although the total value of agricultural production increased by 45 percent during the period 1962-66, agriculture's share of the national income in those years dropped from 13 to 11 percent and continues at about that level.

#### Crop production

In contrast to U.S. agriculture, where technology is designed to obtain maximum yields with a minimum expenditure of labor, the primary aim of Japanese agricultural technology is to increase yields in a land-scarce nation. At present, about one fifth of the farmland is double-cropped and more than half is irrigated. The heavy pressure of population upon the land results in the liberal use of labor and capital investment, especially in the



## JAPAN: Agriculture

form of fertilizer application.

Rice production in 1969 was estimated at 14,003,000 metric tons, slightly less than the record harvests of the past two seasons. The rice crop, on a value basis, accounts for some 45 percent of the total agricultural income. Total consumption of rice has stabilized at 12.4 million tons, but per capita consumption has actually declined since 1963. This trend in consumption is expected to continue for the foreseeable future.

Wheat is the country's second most important cereal crop. The 1969-70 crop declined 25 percent from the previous





farm adviser counsels farmers at their fields.

## Perspective

year's level to 758,000 metric tons. The area devoted to wheat production in 1969 was about 709,000 acres, 11 percent less than the previous year's wheat area. Wheat acreage is dropping as farmers turn the land to production of more profitable crops.

Oilseed crops are declining because imported seeds have a price advantage and land is being converted to more profitable edible crops.

### Meat consumption rising

As Japan's economy continues to grow at a spectacular pace, its population is

demanding more high protein foods. Meat is one of these and consumption is growing beyond expectations. Although production has increased substantially, imports have been required to keep pace with the Japanese domestic demand, which is rising fast.

The number of beef cattle on farms was estimated to be 1,900,000 head on February 1, 1970, up 8 percent from the previous year's level. This growth is a reflection of government and industry interest in expanding domestic beef production. Dairy cattle numbers continue to expand and were estimated at 1,750,000 as of the same date, up 7 percent from a year earlier. Even as dairy cattle population is rising, the number of dairy farms has been declining, reflecting a larger per herd size. Milk production has outpaced demand resulting in heavy stocks of dairy products. Hog on-the-farm figures indicated a total hog population of 6.4 million head—up 18 percent from the census of hogs on the farm that was taken a year earlier.

Poultry meat production in 1969 increased by about 21.8 percent over the previous year to about 400,000 metric tons. Broilers made up some 69 percent of the total. Even as poultry meat production figures are rising, the number of farms with layers and layer chicks continues to decline, indicating the shift to larger size flock units.

### Standard of living

Traditional consumption patterns are gradually widening to include new foods and food services that have recently been introduced into the country. The main staple is still rice. Consumers, however, are being gradually introduced to unfamiliar fresh and frozen foods stored in shining refrigerators in American style supermarkets which are starting to compete with street stalls and small markets in sales.

Recently released studies of Japan's food needs for the late 1970's and the 1980's indicate that per capita consumption of dairy products, meat, eggs, and vegetables will increase significantly while the demand for rice will continue to decrease. The Japanese Ministry of Agriculture forecasts that by 1977 the country will be self-sufficient in the production of rice, potatoes, eggs, and vegetables but will need to import wheat, soybeans, pulses, oilseeds, dairy products, meat, and certain fruits in order to fulfill its consumption.

Consumer prices in 1969 continued to

### JAPAN'S LIVESTOCK AND POULTRY, 1969

Kind of animal	Number	Meat
		production
	1,000 animals <sup>1</sup>	1,000 metric tons <sup>2</sup>
Cattle (beef) .....	<sup>3</sup> 1,900	215
Hogs .....	6,400	505
Sheep and goats .....	225	1
Agricultural horses .....	170	11
Poultry .....	223,500	400

<sup>1</sup> As of Feb. 1, 1970, unless otherwise noted. <sup>2</sup> Carcass weight. <sup>3</sup> Estimated.

trend upwards. They increased about 5.4 percent during the year. On December 14, 1969, the Ministry of International Trade and Industry issued the results of a survey which reported that consumer prices in Japan were the highest in the Free World. According to the report, prices were particularly high for agricultural products such as beef, pork, butter, and eggs, when compared to prices in capitals of advanced Western countries.

### Food prices high

Over the past 3 years (1967-69 inclusive), food prices have not been increasing as fast as other consumer prices. However, food prices are very significant in the overall consumer price index, inasmuch as over two-fifths (42.45%) of all the money that consumers spend goes for food.

Japan, which relies so heavily on foreign trade, has an unusually strong incentive to buy farm products where the purchases will help expand and diversify markets for its manufactures. This incentive is most likely to influence buying decisions where the seller has an unfavorable balance of trade with Japan, and where Japan has strong long-term trading ambitions as a supplying nation.

With the rapid growth of industry, and its drop in available farm labor, Japan continues as an expanding world market for agricultural products. Because of its extensive manufacturing capacity, it is probably the world's largest customer for such raw materials as cotton, wool, and natural rubber. To satisfy its domestic requirements for foodstuffs, Japan is a major importer of cereals, soybeans, animal and vegetable fats (including other oilseeds), and sugar.

Many of the import commodities of interest to U.S. exporters are subject to government trading or regulation. Government agencies are the sole importer of wheat, barley, rice and tobacco.

*Government and private agencies cooperate to step up production in old sources, initiate projects and research in new countries. Overseas technical assistance budget rose 24 percent last year.*

# Japan Continues To Seek New Sources of Farm Product Imports

By CLARENCE E. PIKE  
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Further expansion of Japan's programs to develop new sources for its imports of farm products and to increase productivity and crop variety in older sources<sup>1</sup> has aroused concern among American exporters of farm products—and some apprehension that the United States might face increasing difficulty in maintaining its preeminence in the Japanese market for farm products.

A leading market for imported farm products and a large exporter of industrial goods, Japan has seen its trade volume grow rapidly, as shown in the accompanying table. But in recent years, the U.S. share—still the largest—of the Japanese market has declined. Competition from other foreign suppliers is on the increase, as Japan continues to diversify the sources of its farm product imports.

Commodities receiving most emphasis in the import diversification programs are corn, grain sorghum, cassava (for animal feed), oilseeds, tropical fruits, and silk. The most ambitious programs for production of these commodities are currently in Southeast Asian countries and Australia.

Japan carries out its overseas agricultural development program in several ways. Leadership is provided by the Ministry of Foreign Affairs (MFA) and the Ministry of International Trade and

Industry (MITI). Economic assistance is offered in a variety of forms—bilateral official loans and grants, technical assistance, private investment, and export credits. The country also continues to make World War II reparations.

Japan's foreign aid—government and private—approached \$1.3 billion in 1969 compared with \$1.1 billion in 1968 and \$200 million in 1959. The 1969 figure represents 0.76 percent of that year's gross national product.

Of the sectors which receive considerable aid attention—agriculture, fisheries, forestry, mining, and industry—the agriculture sector is receiving the largest share of resources. This is because of the emphasis placed on this sector by the countries of South and Southeast Asia and because of Japan's desire for the agricultural commodities that they are capable of producing.

## Development funds up

Japan's technical assistance programs are especially adapted to Asian conditions. Since 1962, these programs have been handled by the Overseas Technical Cooperation Agency (OTCA), an agency of MFA. OTCA's budget increased from about \$4.5 million in 1962 to \$23 million in 1970. Of 1970's budget, \$1.9 million is for agricultural development—24 percent more than in 1969.

OTCA's main functions are: training foreign technicians, assigning Japanese experts and overseas cooperation volunteers, establishing overseas technical cooperation centers and medical facilities, conducting development surveys for less developed countries, and providing equip-

ment and materials. The agency maintains overseas offices in Thailand, India, and Cambodia.

In addition, MFA and MITI have organized or proposed several other organizations, most involving both government and private participation.

Japanese private enterprise is cooperating closely with MFA and MITI in overseas agricultural development. Some private enterprise activities are tied directly to official programs while others are conducted independently under broad government policies on promoting agricultural production abroad.

## New import sources

In addition to projects previously reported, several new efforts have begun.

New plans for Japan's fiscal 1970 in *Indonesia* include an OTCA-sponsored agricultural development project and an agricultural research project. One of Japan's largest trading firms has announced the arrival in Japan of the first shipment of corn from a project in Sumatra. This venture is Japan's first successful attempt to directly cultivate corn outside Japan for domestic Japanese consumption.

Several projects are underway in *Thailand*. In 1969, a Japanese soybean team began a research program to develop a soybean variety suited to local growing conditions and of a quality desired by Japanese importers. A team of Japanese silk culture experts recommended establishing a sericulture research and training center. A private Japanese firm plans to establish a banana plantation and to import the total production into Japan.

<sup>1</sup> "Asian Changes and U.S. Farm Exports," *Foreign Agriculture*, June 9, 1969, p. 2.



The Japanese recently agreed to a trade plan put forth by the Thais. The plan gives the Japanese targets for imports, by commodity, from Thailand in 1970. Included are 720,000 tons of corn, 40,000 tons of grain sorghum, and 80,000 tons of cassava pellets.

In *Cambodia*, an experimental farm is being constructed by SOCTROPIC, a joint venture of the Cambodian Government and a Japanese consortium. The farm's purpose is to raise corn for export to Japan. Due to the tense situation in Cambodia, execution of the project has been postponed.

Several ventures were launched in *South Vietnam* during 1969. One, involving about 25 Japanese companies, is a program to help improve ricegrowing and other farming in the Mekong Delta. Another group of Japanese companies is planning agricultural redevelopment in the Danhim Dam area. Private Japanese enterprise has also indicated that it will build an agricultural tool factory and an experimental farm and agricultural technicians' training school.

In the *Philippines*, a training center for persons engaged in small-scale industries was established and staffed by the Japanese, and a model rice farm is being developed. Japanese firms are involved financially and technically in establishing a fertilizer plant and a sugar refinery.

In *Australia*, Japanese manufacturers are investigating the possibility of establishing a 50,000-ton rapeseed industry based near the Western Australia seaport of Albany. The Japanese have discussed the purchase of rapeseed from experimental plots sown in this south coast area and hope to make substantial purchases next year.

The Government of New South Wales and Japanese importing interests recently announced that Japanese experts will provide technical aid to increase oilseed production in New South Wales. The Government of New South Wales wishes to convert wheatland to oilseeds because of the world surplus of wheat. It is anticipated that most of the oilseeds produced will be exported to Japan.

In *Taiwan*, a Japanese firm will cultivate fruits and vegetables and import them in frozen form to Japan. The planned venture will collect corn, peaches, and various vegetables, as well as green tea.

Another Japanese private business recently announced a venture to produce pork on Cheju Island, *Korea*. Plans call for a large hog-raising operation, slaugh-

terhouse, refrigeration plant, and other facilities. The firm will ship frozen pork to Japan for sale as pork cuts, ham, and sausage.

Recently, several *African* countries strongly urged Japan to take more of those countries' farm products so that they can reduce trade deficits with Japan. Japan's limited agricultural assistance to date has been largely concentrated in east Africa. A major Japanese trading firm plans a large farm production development in the Sudan.

### Production gains likely

It is too soon to expect much in the way of increased production under these programs, because most projects have only recently been started and many are still under discussion. Undoubtedly, additional projects will be forthcoming. At this point, estimates of the specific volumes to become available are highly tentative at best.

It appears reasonable to expect that by 1975, exports of *corn* from Southeast Asia to Japan will more than double present levels.

Attempts to expand production of *grain sorghum* are likely to meet with some success in Indonesia, Thailand, and Australia and perhaps elsewhere.

Although a new item of trade, dried *cassava* for use in mixed feeds poses a competitive threat to U.S. feedstuffs in the Japanese market. Grown widely for

food in the tropics, cassava is suited to much of the land in Southeast Asia.

Some increase in export availabilities of *oilseeds* can probably be expected, but until the mid-1970's, oilseed production in Southeast Asia is not likely to expand enough to have a significant impact on the import market in Japan.

Recently announced *banana*-growing projects in Thailand and those proposed for southern India and the Philippines should have little difficulty in marketing all their produce in Japan, where imports of bananas grew from 24,000 tons in 1955 to 739,000 tons in 1969. Coordination of tropical fruit production and of marketing for processing or export is being improved in several countries.

India is the principal Asia country supplying *tobacco* to Japan. Because some Indian tobaccos suit requirements of the Japanese cigarette industry, this trade seems likely to expand.

The United States can expect continued intense competition for Japan's raw *cotton* market as various cotton exporting countries attempt to increase their export volume to that important market.

Overall, a steady but moderate increase in the supply of farm products available for export to Japan can almost surely be expected from these efforts. Competition with U.S. farm products will gradually increase, but the major competitive impact of these efforts is a decade or more in the future.

JAPANESE FOREIGN TRADE, BY AREA, AVERAGES 1955-64, ANNUAL 1965-68

	United States	South and Southeast Asia	Other	Total	United States	South and Southeast Asia
Exports:	Mil.	Mil.	Mil.	Mil.	Percent	Percent
Average—	dol.	dol.	dol.	dol.		
1955-59 .....	663	679	1,398	2,741	24.1	24.8
1960-64 .....	1,384	1,140	2,543	5,066	27.3	22.5
1965 .....	2,479	1,618	4,355	8,452	29.5	19.1
1966 .....	2,969	1,799	5,008	9,776	30.4	18.4
1967 .....	3,012	1,919	5,511	10,442	28.8	18.4
1968 .....	4,086	2,255	6,631	12,972	31.5	17.4
1969 .....	4,958	2,744	8,288	15,990	31.0	17.2
Imports:						
Average—						
1955-59 .....	1,125	615	1,584	3,323	33.8	18.5
1960-64 .....	1,972	908	3,240	6,123	32.2	14.8
1965 .....	2,366	1,126	4,677	8,169	29.0	13.8
1966 .....	2,658	1,315	5,550	9,523	27.9	13.8
1967 .....	3,212	1,489	6,962	11,663	27.6	12.8
1968 .....	3,527	1,642	7,818	12,987	27.2	12.6
1969 .....	4,090	1,971	8,963	15,024	27.2	13.1



*Left, commercial Japanese pig farm.  
Above, broilers of U.S. parent stock raised  
for Japan's poultry meat market.*

## Japan's Affluent Trading Companies Move Strongly Into Domestic Enterprises

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Over 95 percent of all of Japan's agricultural imports from the United States are handled by Japanese trading companies, and the 10 largest firms alone move about 75 percent. Such trading companies are the traditional "foreign experts" of Japan's commercial world and in the past have concentrated on acting as middlemen between Japanese businessmen, who are often unfamiliar with overseas commercial customs, and exporters to and importers from Japan, who are often ignorant of Japanese business procedures. Direct import contracts, even for long-term purchases of raw materials, are rare.

In the past few years, however, trading companies have had a remarkable expansion of domestic enterprises—especially in the production, distribution, and retailing of agricultural and food products. In addition, they have become involved in financing and managing agricultural projects in nearby countries in the endeavor to provide themselves with advantageous sources of agricultural imports.

These moves will undoubtedly have various effects on sales of U.S. agricultural items to Japan in the future. Some U.S. commodity exports will benefit and others will be hurt. U.S. businessmen, by closely examining trading company trends, may be able to determine the impact on those commodities in which they are particularly concerned.

The dominance of the general trading company in Japan's foreign trade is apparent from the fact that in Japan's 1968 fiscal year 48.2 percent of Japanese exports and 63.1 percent of imports were handled by just the 10 biggest companies.

Each of these 10 leading companies stations abroad roughly 1,000 Japanese staff members, who, in cooperation with about 2,000 local workers per company, are constantly scrutinizing markets and searching for new customers and raw material sources. About 7,000 different agricultural and nonagricul-

tural commodities are commonly bought and sold. These agricultural goods range from bulk consignments of wheat, soybeans, and cotton to small packages of gourmet foods.

As the size and affluence of the Japanese population have increased, so have the gross sales of trading companies. The average growth rates of the two largest companies between 1960 and 1968 were about 18 percent per year, and for others of the top 10 rates ranged from about 10 percent to 22.5 percent annually. In 1968 the biggest company's gross annual sales, including domestic transactions, amounted to about \$7 billion.

Because of the rapid increase in volume of imports in which trading companies were involved, and much of that volume agricultural bulk goods, more streamlined methods and new facilities were needed to handle the influx.

### The combine movement

Trading companies a few years ago began to provide leadership and financing for giant port and waterfront industrial complexes commonly called food and feed combines. These complexes are specifically designed for the rapid offloading and handling of bulk agricultural commodities such as grains and soybeans. Most combines have from five to 25 or more firms operating together to handle, store, and process or semi-process raw materials. The primary processing facilities included are usually flour mills, sugar refineries, oilseed-crushing mills, and corn starch plants.

Food and feed combines are highly efficient complexes and provide a much-needed avenue for imported agricultural goods to flow toward Japanese consumers, who now suffer from high retail food prices partly because of tangled and many-stepped distribution and processing. Combines are also attractive investments for trading companies with available capital and help to increase a company's profits because of lower handling costs per unit of bulk material.



The second largest of all the trading companies has been particularly active in the combine area and is constructing complexes at Nagoya, at Kobe, and at Funabashi in Chiba Prefecture. Another fast-growing company is building one of Japan's largest combines at Kobe and is participating in others. In the future, the major trading companies are expected to play an increasingly important role in the development of combines.

Combines will undoubtedly affect Japan's imports of agricultural goods. Purchases of raw materials will probably increase as the outputs of combines rise, and U.S. farmers and sellers of such commodities as soybeans, wheat, and feedgrains should benefit from the increased market opportunity. At the same time, however, Japan's purchases of certain processed agricultural items may decline as secondary processing in combines picks up speed and bulk. Japanese trading company representatives are already surveying nearby foreign markets as outlets for various processed foods—particularly a variety of wheat-based foods.

### **The supermarket scene**

Since early 1969, trading companies have become involved in food retailing at an accelerated pace—usually in the form of providing financing, supplies, and managerial assistance to supermarket chains. Several factors have combined to make the associations of supermarket chains and trading companies attractive to both.

Food retailers are currently making an all-out effort to expand and modernize their operations before the door is opened to investments by large, efficient foreign companies. The third round of capital liberalization in Japan is scheduled for September 1970, after which equal partnerships of foreign and Japanese capital can enter the supermarket and department store fields.

Trading companies are well equipped financially and otherwise to construct shopping centers and supermarkets, provide equipment, and supply imported foods.

And to the trading companies, supermarket chains are not only good investments in a rapidly expanding field but direct outlets for the processed foods they import as well as for those that are processed in combines.

At the present, the largest trading company has financial, lease, product development, and supply ties with five major supermarket chains; the next largest company has similar arrangements with four market chains; and the third- and fourth-ranking traders have links with three and two chains, respectively. The remainder of the biggest 10 trading companies are also becoming involved in food retailing.

Sales of U.S. processed foods of all types to Japan are currently running about \$20 million to \$25 million per year. The new ties between the trading companies and the supermarkets should give a definite boost to sales of certain imported U.S. foods with a readymade channel to the store shelves.

### **Animal products turnabout**

Until about 5 years ago it was considered taboo for general trading companies to be involved in the production of animal products. Today most of the leading 10 companies are directly or indirectly engaged in production of broilers and eggs and some are raising pork and beef. Three of the top four companies each produce over 1 million broilers a month.

An example of these new ventures with trading company participation is the Japan Farm project, which was estab-

lished to produce and market broilers, eggs, pork, and beef. A new joint company was formed, Japan Farm Ltd., with the Mitsubishi trading company holding 40 percent of the stock and Nihon Nosan Kogyo Co. (agricultural products) of Yokohama, Nitto Flour Milling Co. of Tokyo, Nippon Ham Co. of Osaka, and Ryowa Shiryō K. K. (animal feed) and Nagoya each holding 15 percent. All products will be sold through Mitsubishi-affiliated markets and Nippon Ham Co.

Japan Farm Ltd. began operations with \$2.8 million capital. During the first 5 years the joint company will develop four or five large farms, each capable of producing 500,000 broilers and 500 tons of eggs a month and 100,000 hogs a year. Raising beef cattle and other activities will be added.

Several other trading companies have recently established links with commercial firms on Okinawa to produce animal products for the Japanese market. Marubeni-Iida has been particularly active and has established the Okinawa Livestock Co. in cooperation with the Ryukyu Meat Company and the Miyako Sugar Company. The joint venture plans a feedlot operation for 5,000 to 6,000 head of cattle a year, production of about 400,00 broilers a month, and other farm projects.

The trading companies' push to the poultry and livestock industries is expected to lead to greater Japanese imports of beef and swine breeding stock, feedgrains, alfalfa pellets, hay cubes, and animal fats and proteins for prepared feeds. Use of soybean meal from imported beans in animal feeds may also increase. U.S. exporters of these items may benefit from an expanded market. On the other hand, imports of poultry, pork, and some processed meats from the United States could suffer from increased domestic competition.

### **Development of neighboring agricultures**

While trading companies are involved in one way or another in agricultural projects in nearly every developing country, emphasis has been placed on projects in Southeast Asia to provide agricultural raw materials that Japan imports in large quantities. Trading companies consider that close-to-home large-scale sources of agricultural goods would have many advantages. Commodities receiving emphasis are corn, grain sorghum, oilseeds, cotton, and fruits and vegetables.

Trading companies participate heavily in agricultural development projects in nearby countries through direct investments and long-term loans. They also often make preliminary surveys and plans, choose the partners invited to participate, negotiate contract terms, charter bulk carriers for transport of products to Japan, and handle output importation.

An example of such agricultural development is the Mitsugoro joint venture to grow corn begun in 1969 in Indonesia between the Mitsui trading company and a local cooperative called Cosgoro.

In May 1970 the first Mitsugoro shipment of corn—1,200 metric tons—arrived at Yokohama. At a port ceremony high-ranking Japanese officials stated that the shipment marked the first successful attempt to develop corn growing abroad for Japanese import and that though the first shipment was small other and much larger shipments would surely follow.

If such development gains widespread success, it could have considerable effect on U.S. farm exports to Japan. The trading companies that now handle U.S. corn, sorghum, soybeans, and other products are the same companies that are implementing the develop-and-import policy. Trading companies will obviously favor purchases from their own overseas development projects in the years ahead.

# Japan: Land of Rising Competition

英国フェア '69  
BRITISH WEEK IN TOKYO  
9月26日 — 10月5日



foods from a host of exporting countries. There are restaurants in 30 national pavilions where diners are becoming acquainted with scores of new food products ranging from New Zealand hamburgers to Indonesian "semur" (beef stew). About one-third of Japan's 102 million people are expected to visit the Fair at least once, and for many it will be their first introduction to non-Oriental cuisine.

Some activities conducted last year by competitors were new in Japan and a few of them were highly successful.

Among these were several conducted by *Australia*. A well-staffed Trade Commission Office in Tokyo has sponsored numerous Australian Food Festivals in leading department stores, supermarket chains, and hotels all over Japan to stimulate sales of all kinds of fresh,

Until 1854 when Commodore Perry opened Japan's "closed door" to foreign trade, commerce had been almost non-existent except for slight exchanges with the Chinese and Dutch. However, since the advent of Perry, Japan has been an ever expanding target for the competitive sallies of a myriad of agricultural exporting countries that seek to capture a larger share of the market for their products.

Japan's burgeoning economy and soaring living levels are primarily the result of its thriving industry, which is far outpacing the agricultural sector.

Today, domestic agricultural production provides about 80 percent of the country's food needs, but this level of self-sufficiency is declining about one percent a year as more and more farmers leave the field for the factory. For this reason, Japan's imports of agricultural raw materials and foodstuffs have been increasing steadily, reaching about \$3.4 billion in 1968.

With living standards rising, Japanese consumers are demanding a more abundant supply of higher quality and convenience-type foods, and are placing greater emphasis on variety and nutrition. Consumption of starchy foods is decreasing, while that of meat, dairy products, fruits and vegetables, and processed products is rising.

Japan is by far the largest single market—apart from the European Community—for U.S. farm products, taking nearly 16 percent of our total agricultural exports, and over 19 percent of U.S.

commercial farm exports for dollars in 1969. However, the United States is facing increasing competition in that market from countries who are sharpening their promotion techniques and consequently attracting the Japanese yen.

During the past year over 20 other countries promoted sales of their agricultural products in Japan, with Australia ranking first in funds and intensity. Promotion expenditures by countries in direct competition with the United States increased 20 percent in 1969 over the 1968 level and are estimated at \$7,450,000. General promotional activities included participation in the 8th Tokyo International Trade Fair, special trade fairs and exhibitions, point-of-purchase promotions in supermarkets and department stores in major cities, and Trade Center activities. In addition there were marketing board and trade association administered activities and programs.

The exchange of trade missions between Japan and exporting countries is becoming a popular and effective way of familiarizing the Japanese with the products available. Australia, Canada, and Argentina sponsored trips by Japanese wheat trade officials to their respective countries, while Australia, New Zealand, and Canada invited Japanese meat teams to tour their industries. The roll call of agricultural officials from exporting countries who visit Japan is also expanding each year.

Expo '70 in Osaka is serving as a prime exposure showcase for processed





frozen, canned, and packaged foods including wines. In addition, Australian wool sales have been greatly assisted by the aggressive campaign carried on by the International Wool Secretariat—composed of Australia, New Zealand, and South Africa—which features the Woolmark on approved fabrics and garments made of pure wool. An Australian Foods Festival was held at Tokyo's Marunouchi Hotel in January 1969. A wide variety of foods including beef, ham, cheese, prawn, fruits, and wine were on display, and cooking and serving demonstrations were conducted by a well-known chef.

Surpassing all other 1969 promotions in expenditures and breadth was the *British Week* held in Tokyo in September. This massive promotion effort reflected 2 years of intensive study of Japanese markets and sales patterns. The preparations were made well ahead of time; pomp and ceremonies were used to the fullest advantage; and massive cultural promotion efforts and local sponsorships were utilized effectively to insure publicity coverage for both cultural and commercial events.

British Week was organized by the British National Export Council, a partnership between the British Government and British industries. Twenty major department stores in Tokyo as well as theaters, athletic stadiums, and exhibition halls partook in the festivities. This

was reportedly the first time that almost all the major department stores in Tokyo cooperated in the sales of products of one country. Between June 1968 and July 1969 the British National Export Council arranged for 30 buyers from Japanese department stores to visit the United Kingdom.

During the promotion period British double-decker buses plied up and down the main streets of Tokyo carrying consumers past the windows of participating stores which were decked out with Union Jacks and British products ranging from Scotch whisky to Rolls-Royce cars. British food products such as canned meats, dairy products, confectionery items, fruit juices, and tea were featured in the food sections of the department stores, as well as at the food and drink corner of the large Budokan Exhibition Hall where over 50 British food firms displayed their products.

*France* intensified its promotional campaigns for processed foods through a series of special exhibits and samplings held at leading hotels and supermarkets in major Japanese cities. Over 250 French food firms participated in a special show at the French Trade Center. Another highlight was the annual French wine festival, held this year at Gueymard Vineyard in Kanagawa Prefecture and including sampling of wine, cheese, sausages, and fried potatoes as well as a French folklore costume parade and folk dances. The French also conducted a special training course for Japanese bakers in Paris to instruct them in the art of preparing French-style bread.

In addition to *Canada's* intensified efforts to seek a larger market for wheat, Canada recently launched an intensified promotional campaign for processed foods through a series of food exhibits and sampling parties at food fairs.

*Hungary* was a prominent promoter in 1969 with a large variety of events geared to make the agricultural products of that nation more familiar to the Japanese. Hungarian broilers came in for special promotional fire, and at a Hungarian festival held at a leading Tokyo department store Hungarian food specialties were sampled to the accompaniment of a 5-member gypsy band. Hungary, and several other countries are employing folk songs and dance groups dressed in their native costumes to gain publicity and attract guests to their promotions.

*New Zealand* continued to concentrate its promotional efforts on such agricultural products as meat, dairy products, and wool with lamb the frontrunner for attention. A number of lamb cooking demonstrations and seminars on sales techniques were sponsored by the New Zealand Meat Producers Board for chefs and food representatives from leading hotels, restaurants, and mass-feeding institutions. An estimated 250 television advertisements spread the word that New Zealand lamb can be cooked in a wide variety of ways, and a special lamb barbecue was held for the Expo '70 construction workers.

*Denmark* marked the second anniversary of the establishment of its trade promotion office in Japan and continued to expand its food promotion activities during 1969. Danish broilers and cheese are well known to Japanese consumers and a campaign is underway to make Danish bacon a household staple.

Other countries actively promoting their food products in Japan are Belgium, Italy, Israel, South Africa, West Germany, Brazil, Poland, Pakistan, Colombia, Afghanistan, and Yugoslavia.

—Based on dispatch from

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フランス  
チーズの紹介

*U.S. competitors continue to expand their promotion efforts in Japan during 1969. Activities ranged from the all-out British Week effort to promotions of Australian raisins, French cheese, and Yugoslavian ox tongue.*



# CROPS AND MARKETS SHORTS

## U.S. Fiscal Year Tobacco Imports

U.S. imports of unmanufactured tobacco (for consumption) remained steady at 210.1 million pounds during fiscal 1970, compared with 210.7 million pounds in the previous year. Most of the imports were oriental cigarette leaf, coming primarily from Turkey and Greece. Imports of this leaf declined slightly during the past fiscal year, but this drop is expected

U.S. IMPORTS OF UNMANUFACTURED TOBACCO<sup>1,2</sup>

Kind and origin	1969	1970
	<i>1,000 pounds</i>	<i>1,000 pounds</i>
Cigarette leaf, flue and burley:		
Republic of Korea .....	1,816	1,998
Brazil .....	192	847
Mexico .....	619	368
Mozambique .....	554	61
Other .....	218	421
Total .....	3,399	3,695
Cigarette leaf, other:		
Turkey .....	95,584	91,629
Greece .....	30,850	28,887
Yugoslavia .....	14,480	14,731
Lebanon .....	3,100	3,516
Other .....	3,456	2,529
Total .....	147,470	141,292
Cigar filler, stemmed and unstemmed:		
Dominican Republic .....	731	1,059
Honduras .....	1,001	1,030
Mexico .....	901	733
Brazil .....	733	406
Other .....	1,793	1,674
Total .....	5,159	4,902
Cigar wrapper (incl. mixed filler and wrapper):		
Cameroon .....	340	261
Nicaragua .....	123	200
Honduras .....	218	199
Other .....	154	237
Total .....	835	897
Scrap:		
Philippines .....	22,461	22,250
Turkey .....	6,909	10,356
Dominican Republic .....	5,874	6,127
Colombia .....	3,951	4,966
Brazil .....	3,863	3,883
Other .....	8,788	11,234
Total .....	51,846	58,816
Stems:		
Republic of Korea .....	661	247
Colombia .....	0	90
Other .....	1,345	115
Total .....	2,006	452
Grand total .....	210,715	210,054
	<i>1,000 dollars</i>	<i>1,000 dollars</i>
Value .....	130,079	127,424

<sup>1</sup> Includes withdrawals from bond for consumption and release from customs immediately upon arrival. <sup>2</sup> Fiscal year, ending June 30. Bureau of the Census.

to be only temporary because of the substantial surplus availability of these tobaccos in several producing areas.

Scrap tobacco, a form of stemmed leaf used primarily as cigar filler and possibly as a price reducer in cigarette blends, increased over 13 percent to a total of 58.8 million pounds. Most of the increase during the year was from Turkey and the Dominican Republic.

Imports of flue-cured and burley cigarette leaf, which are considered directly competitive with domestic supplies of these types also continued to increase and reached the significant—though not yet disturbing—quantity of 3.7 million pounds.

The major portion of this leaf comes from the Republic of Korea and Brazil at prices considered highly competitive with similar qualities of U.S. leaf.

## U.S. Fiscal Year Tobacco Exports

U.S. unmanufactured tobacco exports during fiscal 1970 totaled 571 million pounds, approximately the same as in the previous year. The value of exports, however, increased about 6.5 percent to a total of \$539.6 million, compared with \$506.8 million in 1968-69. Much of this increase in value was due to the larger quantity of shipments in stemmed leaf form, which has a higher value per unit than unstemmed leaf.

Shipments of flue-cured tobacco, at 414 million pounds, were down about 1 percent from the 418 million of the previous year. Those of Maryland, dark air-cured, and cigar types were also down. These declines were partially offset by larger shipments of burley and fire-cured types of leaf.

The export value of tobacco products in fiscal 1970 rose by about 12 percent to a total of \$177.2 million, compared with \$157.6 million a year earlier. The number of cigarettes exported increased by nearly 11 percent to 28.5 billion pieces, but the quantity of all other products declined.

U.S. EXPORTS OF UNMANUFACTURED TOBACCO<sup>1</sup>  
[Export weight]

Kind	Quantity		Change from	Value	
	1969	1970 <sup>2</sup>		1969	1970 <sup>2</sup>
	<i>1,000 pounds</i>	<i>1,000 pounds</i>	<i>Percent</i>	<i>1,000 dollars</i>	<i>1,000 dollars</i>
Flue-cured .....	417,731	414,070	-0.9	409,825	441,624
Burley .....	47,685	52,588	+10.3	45,375	52,410
Dark-fired Ky.-Tenn. ....	20,191	22,507	+11.5	11,456	14,068
Va. fire-cured <sup>3</sup> .....	4,715	4,940	+4.8	3,213	3,913
Maryland .....	14,685	10,441	-28.9	12,477	9,389
Green River .....	447	338	-24.4	270	198
One Sucker .....	957	638	-33.3	428	336
Black Fat .....	1,777	2,127	+19.7	1,513	1,794
Cigar wrapper .....	3,455	1,676	-51.5	9,022	4,032
Cigar binder .....	752	600	-20.2	664	581
Cigar filler .....	769	422	-45.1	517	370
Other .....	57,992	60,702	+4.7	12,078	10,910
Total .....	571,156	571,049	—	506,838	539,625

<sup>1</sup> Fiscal year, ending June 30. <sup>2</sup> Preliminary; subject to revision.

<sup>3</sup> Includes sun-cured. Bureau of the Census.



# U.S. EXPORTS OF TOBACCO PRODUCTS<sup>1</sup>

Kind	1969	1970	Change from 1969
Cigars and cheroots			Percent
1,000 pieces .....	62,424	58,217	-6.7
Cigarettes			
Million pieces .....	25,771	28,538	+10.7
Chewing and snuff			
1,000 pounds .....	107	63	-41.1
Smoking tobacco in pkgs.			
1,000 pounds .....	1,809	940	-48.0
Smoking tobacco in bulk			
1,000 pounds .....	20,702	20,085	-3.0
Total declared value			
Million dollars .....	157.6	177.2	+12.4

<sup>1</sup> Fiscal year, ending June 30. Bureau of the Census.

## Peruvian Fishmeal Recovers

The fishmeal situation in Peru, the world's major producer and exporter, appears to be rebounding following the 1968-69 decline of 386,000 tons. Production in 1969-70 is now estimated at 2.15 million short tons—267,000 tons above 1968-69 and substantially above the preliminary estimate (see *Foreign Agriculture*, Feb. 9, 1970). The increase largely reflects the fact that the fishing industry was successful in its efforts to increase the allowable catch by roughly one-sixth over that recommended by the Peruvian Marine Institute.

Exports are expected to approach 1.9 million tons—14 percent below the 1968-69 record and 11 percent below those in 1967-68. The expected decline, however, is more a reflection of high fishmeal prices and uncertainty about export commitments under the newly organized Ministry of Fisheries than of reduced availabilities, since Peruvian fishmeal supplies are only 3 percent below the 1968-69 volume.

Despite the 1969-70 season's slow beginning there was substantial stock accumulation from the low volume of 110,000 tons on September 30, 1969, in the first quarter (October-December). Although stock accumulation continued in the second and third quarters to volumes exceeding the 1968-69 level, the tonnage was substantially under that of 1967-68.

Present fishmeal availabilities appear to be more than ample to handle the present rate of market uptake. Continuation of such prices into the 1970-71 season could push stocks to a substantially higher volume.

The following observations can be made:

(1) Despite much talk from time to time about the need to conserve Peru's anchovy stocks, it would appear that the catch could continue to be sustained at the present volume of 11 million tons.

(2) A poor start of the fishing season does not necessarily constitute a failure or sharp decline in output.

(3) Fishmeal prices in a given season may be more indicative of the uncertainty of impending events and market psychology than of overall supplies.

(4) The Peruvians have not fully mastered the art of maximizing the product value of their exports despite the fact that they have been willing and able to hold a substantial volume of stocks.

(5) Given the present circumstances and price levels, Peru's exports may be more closely related to import demand in the key importing countries, i.e., the United States and West Germany, than to availabilities for export.

# PERU'S FISHMEAL PRODUCTION, EXPORTS, STOCKS

Item	1967-68		1968-69		1969-70 <sup>1</sup>	
	Quan- tity	Share of year total	Quan- tity	Share of year total	Quan- tity	Share of year total
	1,000 short tons	Per- cent	1,000 short tons	Per- cent	1,000 short tons	Per- cent
Oct.-Dec.:						
Production .....	809	35	659	35	551	26
Exports .....	482	23	666	30	317	17
Apparent change in stocks .....	+327	—	-7	—	+234	—
Stocks, Dec. 31 <sup>2</sup>	661	—	432	—	338	—
January-March:						
Production .....	695	31	643	34	832	39
Exports .....	606	29	567	26	674	36
Apparent change in stocks .....	+89	—	+76	—	+158	—
Stocks, Mar. 31 <sup>2</sup>	740	—	496	—	485	—
April-June:						
Production .....	445	20	465	25	647	30
Exports .....	592	28	626	29	587	31
Apparent change in stocks .....	-147	—	-161	—	+60	—
Stocks, June 30 <sup>2</sup>	576	—	318	—	535	—
July-September:						
Production .....	320	14	116	6	120	6
Exports .....	431	20	316	15	302	16
Apparent change in stocks .....	-111	—	-200	—	-182	—
Stocks, Sept. 30 <sup>2</sup>	450	—	110	—	345	—
Total:						
Production .....	2,269	100	1,883	100	2,150	100
Exports .....	2,111	100	2,175	100	1,880	100
Net apparent change in stocks .....	+158	—	-292	—	+270	—
Apparent domes- tic consumption	53	—	48	—	35	—
Reported catch ...	10,800	—	11,000	—	<sup>3</sup> 11,000	—
Apparent extrac- tion rate .....	—	21.0	—	17.1	—	19.5

<sup>1</sup> Projected. <sup>2</sup> Adjusted for domestic consumption. <sup>3</sup> Estimated.

## Mainland China's Tung Oil

In calendar year 1969 Mainland China's exports of tung oil, as indicated by reported imports into major importing countries, are estimated to have increased to about 12,600 short tons—2,100 tons or 20 percent above the previous year but 38 percent below exports during the 1960-64 period. The increase was chiefly reflected in larger movements to Japan and the United Kingdom.

Although no solid information is available on Chinese tung oil output, domestic consumption, or stocks, several factors appear to be having a significant impact on export movement.

● The proportion of Chinese tung oil exports moving to Western Europe has declined substantially in recent years—from 58 percent in 1965 to 28 percent in 1969. The decline probably reflects the closure of the Suez Canal in June 1967 and the increased costs of ocean transportation that resulted.

● Chinese tung oil movement to the Soviet Union appears to have been halted. Although Russia imported a substantial proportion of China's exportable supplies as late as 1967, increased availabilities from South America at attractive prices resulted in 5,700 tons of exports from Argentina in late 1967 and 5,025 tons in 1969. Argentine efforts to gain entrance into the Soviet market were initiated in 1965.

● China, in seeking new cash markets for its tung oil, has been placing more and more oil in other Asian countries—mainly Japan. In 1969 Japan took about 54 percent of China's total tung oil exports, compared with only 11 percent in 1960-64. Before 1969, it was increased Japanese consumption that resulted in Chinese gains. In 1969, however, reduced availabilities in South America allowed China to increase its sales in Japan by roughly 800 tons more than consumption increased. Supplies from China in 1969 accounted for 86 percent of Japanese imports against 72 percent in 1968.

● Revival of world tung oil prices in the fall of 1969 in anticipation of reduced 1969-70 export availabilities from Argentina and Paraguay may have been the key factor in

#### TUNG OIL IMPORTS FROM MAINLAND CHINA

Importing country	Average 1960-64	1965	1966	1967	1968 <sup>1</sup>	1969 <sup>1</sup>
	Short tons	Short tons	Short tons	Short tons	Short tons	Short tons
Austria .....	127	157	251	98	113	308
Belgium .....	115	313	278	263	266	165
Denmark .....	423	395	420	312	337	243
France .....	341	779	464	94	100	22
West Germany .....	2,028	2,797	1,920	811	633	205
Italy .....	486	415	935	707	482	99
Netherlands .....	642	1,188	1,235	976	688	631
Norway .....	207	247	303	161	288	203
Sweden .....	928	966	549	741	471	441
U.K. ....	2,513	4,567	3,160	750	—	1,206
USSR .....	5,425	1,433	1,433	3,307	—	—
Hong Kong .....	2,570	1,908	1,088	493	358	595
Japan .....	2,250	3,591	4,336	4,756	4,920	6,865
Australia <sup>2</sup> .....	1,174	1,245	1,068	1,077	1,129	905
New Zealand <sup>2</sup> .....	205	262	240	264	208	<sup>3</sup> 225
Others <sup>4</sup> .....	789	76	449	520	<sup>2</sup> 500	<sup>3</sup> 500
Total .....	20,233	20,339	18,129	15,330	10,493	12,613

<sup>1</sup> Preliminary. <sup>2</sup> 12 months of year shown ending June 30. <sup>3</sup> Estimated. <sup>4</sup> Includes Mexico, Poland, India, Malaysia, and Singapore. Compiled from official and other sources.

#### CHINESE TUNG OIL, MONTHLY AVERAGE PRICES<sup>1</sup>

Month	1966	1967	1968	1969	1970
	U.S. cents per lb.	U.S. cents per lb.	U.S. cents per lb.	U.S. cents per lb.	U.S. cents per lb.
January .....	19.2	13.5	14.4	13.1	26.3
February .....	19.6	13.1	14.1	12.8	26.3
March .....	19.6	12.8	13.9	12.9	26.2
April .....	19.5	12.2	13.1	12.9	25.9
May .....	18.8	( <sup>2</sup> )	12.2	13.5	25.4
June .....	18.5	( <sup>2</sup> )	12.7	15.0	—
July .....	16.5	( <sup>2</sup> )	12.5	15.1	—
August .....	15.8	11.8	12.0	15.2	—
September .....	15.5	12.0	12.2	16.9	—
October .....	15.3	12.4	12.7	( <sup>2</sup> )	—
November .....	15.0	14.0	12.7	( <sup>2</sup> )	—
December .....	14.6	14.5	13.6	26.3	—
Average .....	17.3	12.9	13.0	15.4	—

<sup>1</sup> 1966-68 quoted as Chinese bulk c.i.f. European ports; 1969-70 quoted as Chinese, ex-tank Rotterdam. <sup>2</sup> Not quoted.

Compiled from *Public Ledger*, London (Saturday edition).

turning the tide for exports from Mainland China.

● Looking ahead to 1970-71, there may be a sharp recovery in exports from Argentina and Paraguay. This could exert considerable pressure on world market prices this fall and well into 1971 unless South American sales are restrained to avoid the disastrous effects of an inelastic demand on expanded supplies. However, should a price decline occur, it could be expected that tung oil exports from China, which appeared to be somewhat price responsive last year, would decline.

## Hamburg Prices of Fruits, Juices

The following quotations represent importers' selling prices, including duty and sugar-added levy but excluding the value-added tax. Sales are in lots of 50 to 100 boxes.

Type and quality	Size of can	Price per dozen units			Origin
		July 1969	Apr. 1970 <sup>1</sup>	July 1970 <sup>1</sup>	
CANNED FRUIT		U.S.	U.S.	U.S.	
Apricot halves:		dol.	dol.	dol.	
Choice .....	2½	2.82	3.67	3.67	Spain
Not specified .....	2½	2.85	3.38	3.38	Greece
Peaches, halves:					
Choice, heavy syrup .....	2½	—	4.17	4.10	U.S.
Choice .....	2½	—	—	4.10	Australia
Not specified .....	2½	—	—	3.80	S. Africa
Do .....	2½	—	—	3.61	Italy
Do .....	10	—	14.27	14.10	U.S.
Do .....	10	—	—	13.93	S. Africa
Pears:					
Heavy syrup .....	2½	3.78	4.00	3.87	Italy
Fruit cocktail:					
Heavy syrup .....	2½	5.25	5.74	5.51	U.S.
Do .....	303	3.45	3.25	3.21	U.S.
Light syrup .....	2½	4.65	4.66	4.66	U.S.
Do .....	2½	—	4.46	4.30	Italy
Cherries, red pitted:					
Fancy, water pack .....	10	24.45	22.96	22.95	U.S.
Not specified, water .....	3 kg.	21.90	22.80	22.79	Italy
Do .....	3 kg.	19.74	21.58	21.57	Netherlands
Do .....	5 kg.	24.60	26.24	26.88	Yugoslavia
Pineapple, whole slices:					
Fancy .....	2½	5.31	5.64	5.25	U.S.
Not specified .....	2½	4.20	4.85	4.79	Philippines
Do .....	30 oz.	—	3.74	3.74	Formosa
Do .....	2½	3.18	3.56	3.54	S. Africa
Do .....	2½	3.22	3.87	3.77	Ivory Coast
Pineapple, crushed:					
Choice, heavy syrup .....	10	8.85	—	9.34	S. Africa
CANNED JUICES					
Grapefruit,					
unsweetened .....	<sup>2</sup> 1 qt.	4.50	4.76	4.59	U.S.
Do .....	<sup>2</sup> 1 ltr.	3.87	4.36	3.87	Israel
Do .....	43 oz.	4.30	4.81	4.80	Israel
Do .....	43 oz.	3.60	3.74	3.74	Greece
Orange, unsweetened .....	<sup>2</sup> 1 ltr.	3.48	3.48	3.61	Israel
Do .....	43 oz.	3.24	3.35	3.34	Greece
Do .....	43 oz.	2.97	3.15	3.25	Italy

<sup>1</sup> April and July 1970 quotations reflect the currency revaluation of the deutsche mark from \$1=DM4 to \$1=DM3.66. <sup>2</sup> Packed in glass bottles.

## Netherlands Prices of Fruits, Juices

The following quotations represent wholesale offering prices on a landed-weight basis with duties and levies paid, but excluding the value-added tax:



Type and quality	Size of can	Price per dozen units			Origin
		June 1969	May 1970	July 1970	
CANNED FRUIT		<i>U.S.</i>	<i>U.S.</i>	<i>U.S.</i>	
Apricot halves:		<i>dol.</i>	<i>dol.</i>	<i>dol.</i>	
Not specified .....	500 gm.	1.66	1.76	1.76	Spain
Cherries, sweet, not pitted:					
Not specified .....	1 kg.	4.81	4.97	4.97	Italy
Fruit cocktail:					
Choice, heavy syrup .....	303	3.41	3.28	3.28	U.S.
Do .....	2½	4.87	—	4.71	Italy
Choice, light syrup .....	2½	4.94	4.81	4.71	U.S.
Peaches, clingstone:					
Choice, heavy syrup .....	2½	—	4.24	4.28	S. Africa
Do .....	8 oz.	1.96	1.96	1.96	U.S.
Choice, light syrup .....	2½	—	—	3.85	U.S.
Do .....	2½	—	—	3.71	S. Africa
Standard, light syrup .....	2½	3.65	3.78	3.81	S. Africa
Pineapple slices:					
Fancy, heavy syrup .....	2½	4.81	—	4.81	U.S.
Choice, heavy syrup .....	2½	—	—	4.54	U.S.
Do .....	2	2.98	—	3.15	U.S.
Do .....	30 oz.	3.71	3.98	3.98	Taiwan
Choice, light syrup .....	2½	—	3.99	4.04	S. Africa
CANNED JUICES					
Orange, unsweetened .....	<sup>1</sup> 1 qt.	5.24	5.20	4.94	U.S.

<sup>1</sup> Packed in glass bottles.

## London Prices of Fruits, Vegetables

The British processed fruit market has been paralyzed by the recent dock strike. There are few spot stocks available and the market situation will take several weeks to clear up. As prices become available, following the resumption of normal trading, they will be published.

## Weekly Rotterdam Grain Price Report

Unsettled market conditions of the past week raised price quotes sharply for all grains. Current prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago, are as follows:

Item	August 19	Change from previous week	A year ago
	<i>Dol. per bu.</i>	<i>Cents per bu.</i>	<i>Dol. per bu.</i>
Wheat:			
Canadian No. 2 Manitoba .....	2.00	+3	1.89
USSR SKS-14 .....	( <sup>1</sup> )	( <sup>1</sup> )	1.81
Australian Prime Hard .....	( <sup>1</sup> )	( <sup>1</sup> )	1.80
U.S. No. 2 Dark Northern			
Spring:			
14 percent .....	2.02	+9	1.80
15 percent .....	2.05	+8	1.87
U.S. No. 2 Hard Winter:			
13.5 percent .....	2.01	+7	1.82
Argentine .....	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )
U.S. No. 2 Soft Red Winter ...	1.88	+16	1.61
Feedgrains:			
U.S. No. 3 Yellow corn .....	1.96	+25	1.37
Argentine Plate corn .....	1.99	+20	1.69
U.S. No. 2 sorghum .....	1.70	+15	1.39
Argentine-Granifero .....	1.73	+16	1.38
Soybeans:			
U.S. No. 2 Yellow .....	3.30	+6	2.92

<sup>1</sup> Not quoted.

Note: All quoted c.i.f. Rotterdam for 30- to 60-day delivery.

## Brazil Exporting Rice to Portugal

The Government of Brazil will soon export 5,000 metric tons of polished rice from the 1969-70 crop to Portugal through the Port of Rio Grande. The announcement was made by Carteira de Comércio Exterior (CACEX), the export division of the Bank of Brazil. The f.o.b. price of the rice to be exported is about \$120 per ton after the application of a \$30 export subsidy by CACEX. (The export organization also announced it will pay a \$20 subsidy on the export of brown and parboiled rice.)

The money to be used for subsidizing these rice exports will come from a special agricultural development fund—Fundo Especial de Desenvolvimento Agrícola (FUNDAG). The fund's operations are financed by the domestic sale of government-owned coffee stocks. Such sales are expected to raise about \$65 million this year, of which about \$9 million will be used for subsidies of rice.

The State of Rio Grande do Sul alone has an exportable surplus of 355,000 tons of rice, 250,000 tons of which are from the 1969-70 crop just harvested. The balance is from the 1967-68 and 1968-69 crops, which cost about \$175 and \$135 per ton, respectively. In addition to the 5,000 tons being exported to Portugal, the Government of Brazil owns 77,000 tons from the 1967-68 and 1968-69 crops.

## Australian Drought Relief

Australia's Commonwealth Government has agreed to continue its drought relief assistance to Queensland in 1970-71 on the same basis as in 1969-70. This decision reflects the Government's concern over the effects of the prolonged drought in Queensland.

For 1970-71, the Commonwealth will share with the State, on a dollar-for-dollar basis, the cost of agreed drought relief measures up to \$4 million and will meet the full cost in excess of \$4 million.

In 1969-70, the Commonwealth provided Queensland with assistance totaling nearly \$14 million, and its 1970-71 share of expenditures on drought relief measures could amount to over \$11 million. Total Commonwealth drought relief assistance to Queensland since 1965-66 has amounted to more than \$30 million.

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Foreign Agriculture

## Top Japanese Agricultural Leaders Visit United States

A delegation of leaders of Japanese farmer cooperatives and other agricultural organizations recently visited their counterparts in the United States as guests of U.S. farm organizations. All told some 13 key Japanese farm groups were represented.

On August 18 the group of Japanese agricultural executives met with Secretary of Agriculture Clifford Hardin and other USDA officials. They discussed agricultural trade between the two countries, now at an alltime high.

The group was headed by Asao Miyawaki, President, Central Union of Agricultural Cooperatives at extreme right in photograph. Also pictured are Shigeo Tanaka, President, the National Credit Federation of Agricultural Cooperatives shaking hands with Secretary Hardin; and Makoto Mihashi, President, the National Purchasing Federation of Agricultural Cooperatives.

The group visited with U.S. farm leaders from coast to coast, stopping in California, Colorado, Illinois, and New York. They also stopped briefly in Canada.

The invitation to visit the United

States was extended by Kenneth Naden, Executive Vice President, National Council of Farmer Cooperatives, while he was in Japan last October attending meetings of the International Federation

of Agricultural Producers. Other U.S. groups that cooperated in sponsoring the visit were the American Farm Bureau Federation, National Farmers Union, and the National Grange.

